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# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

ROMANIA'S SOCIALIST AGRICULTURE

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19 March 1985

## EAST EUROPE REPORT

### ECONOMIC AND INDUSTRIAL AFFAIRS

#### ROMANIA'S SOCIALIST AGRICULTURE

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[Table of contents and chapters 16 and 18 of the book "Agricultura Socialista A Romaniei" [Romania's Socialist Agriculture, Political Publishing House, Bucharest, 1983 547 pages]

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[Text] Agricultural Organization System

16.1 The Structure of the Agricultural Organization System

Like the other branches of material production, the socialist agriculture requires a judicious organization harmoniously combining state uniform and coordinated guidance of economic activities with initiative on the part of local bodies and production units.

Further improvements in the agricultural organization system and agricultural unity harmoniously fit into the RCP's economic policy, which is designed to ensure a permanent accord between production forces and production relations, and the general progress of our society. Through the magnitude of the economic achievements and changes that it launched, the Ninth RCP Congress opened up one of the most dynamic and fruitful eras in the history of our country, an era equally marked by efforts to improve the system of organization of agriculture.

The complexity and economic importance of the problems facing agriculture amid the current conditions of modernization and intensification urgently necessitate uninterrupted improvements in the forms and methods of organization of all branches and sectors of activity, based on scientific criteria.

The entire organization and management of agriculture is based on the following principles: thorough familiarization with the technical-economic processes taking place in the units; faultless operation of all sectors and branches of activity; a correct ratio between the number of directly productive personnel and support personnel; judicious allocation and utilization of cadres at all organizational levels; systematic and skilled guidance and supervision; extensive consultations with the collectives of working people, and mass participation in establishing, adopting, and implementing decisions; deepening socialist and cooperative democracy; intensively promoting modern analysis and decision-making methods in agricultural organization and leadership.

In accordance with the concept established by our party and by its secretary general, Comrade Nicolae Ceausescu, the forms and methods of agricultural organization and of organizing agricultural units are not immovable, but are continuously improving, in step with the changes occurring in the process of building socialism, increasing experience, and the socioeconomic tasks arising in each historical period. The current organization of agriculture and of agricultural units is the result of a lengthy searching process and it is fully in keeping with the realities prevailing in our country, thus providing the most favorable conditions for turning to good account the resources of this branch and increasing vegetable and animal production.

Our entire agricultural structural system is directly led by the Ministry of Agriculture and Food Industry<sup>1</sup>. The ministry uniformly oversees all agricultural activities and is responsible to the party and state for the implementation of the program of intensive and modern agricultural development and for the achievement of a new and profound agrarian revolution.

The optimal fulfillment of the tasks of the Ministry of Agriculture and of county general directorates for agriculture and food industry require an appropriate organizational structure, that can provide operational and efficient guidance and supervision for all agricultural activities.

The Ministry of Agriculture has in its subordination departments, general economic directorates, directorates, as well as centrals, trusts, central enterprises, institutes of research, studies, and planning, central laboratories, central supply centers, and so forth.

The Ministry of Agriculture and Food Industry exercises its leadership and organizational functions through multiple and varied means and channels. These functions are mainly aimed at: steadily developing the branches and sub-branches subordinated to it; consistently promoting technical and economic progress and the process of integration of research, production, and education; organizing and coordinating economic and scientific-technical cooperation with other ministries and central bodies in the country and abroad; ensuring the judicious and uniform utilization of land, other means of production, and manpower; ensuring the training and rational allocation of specialized cadres at all levels and of all the working people; expanding processes of concentration, specialization, and integration; securing the state centralized stocks of agricultural and food products and of agricultural raw materials for industry, and ensuring surplus products for export, etc.

In the area of food industry, the ministry organizes and ensures the necessary resources of raw materials, their optimal utilization, and the achievement of quality products; supervises the rational utilization of production capacities and the development of new capacities within the joint state and cooperative agroindustrial councils; provides a direct link between industrial enterprises and the councils through joint ventures and associations, and develops enterprise sections within the jurisdiction of the councils; organizes and oversees fishing activities and development in areas under the administration of the Ministry of Agriculture and Food Industry; organizes the network of food industry sale outlets, the utilization and development of refrigeration facilities, and so forth.

General directorates for agriculture and food industry are established in each county as local specialized bodies whose task is to ensure a uniform agricultural leadership. These are subordinated to the Ministry of Agriculture and Food Industry and to the executive committees of county people's councils.

Improving the system of agricultural organization and all the activities of agricultural units is one of the tasks established under the party-state documents concerning the integration of this branch of material production in the general development of the national economy.

## 16.2 Improving the Organization of State Agricultural Enterprises

The state agricultural enterprises constitute a progressive form of production in Romania's agricultural system, based on the people's ownership of the land, livestock, buildings, and other means of production, and of the production achieved. They are organized and run on the basis of the principles of self-management and economic-financial self-administration, under which the working people directly exercise their prerogatives as owners, producers, and consumers of material assets.

The programmatic documents of our party emphasize that improving the organization of state agricultural enterprises has become an objective necessity, determined by their greatly increased role and contribution to developing and modernizing the entire agriculture. The RCP program states: "All state agricultural enterprises must become models of socialist, modern agricultural organization and an increasingly strong basis for the state's centralized stocks and for better organizing labor in all agricultural units." <sup>2</sup>

As one of the ongoing concerns of our party and state, the organizational and managerial concept of state agricultural enterprises has been evolving in keeping with each stage of development of our socialist agriculture.

The gradual improvement of the organization of state agricultural enterprises has made the subject of thorough examination at the party congresses and national conferences and at meetings held on agricultural topics. As Comrade Nicolae Ceaușescu stressed: "The state agricultural enterprises must rapidly implement the most progressive organizational technologies and methods in all production sectors, thus actively contributing to increasing the modern foundation and efficiency of our entire agriculture." <sup>3</sup>

Currently, the organizational structure of the state agricultural enterprises is adjusted to the requirements of the current stage of development of the socialist agriculture determined by the establishment of joint state and cooperative agroindustrial councils that permit the optimal utilization of material means and human resources, expert decision-making, and efficient guidance and supervision of all activities.

The organizational structure of a unit is specified under organization and operation regulations. As a rule, they include a detailed description of the organizational and managerial structure (bodies of collective leadership, executive leadership, and unit compartments), the duties and prerogatives of the unit management and of its work compartments, a description of job requirements, etc. The regulations are approved by the bodies of collective leadership of the respective units.

Farms, as organizational subunits, have their own economic administration; they do not constitute legal entities, but have their own production, income, and expenditure plans. They are allocated land, livestock, buildings, financial means, labor force, etc., and are fully responsible for efficiently utilizing these resources.

The following areas fall under the organization of production support sectors and compartments: mechanical support, supplies, sale and transportation, hydroamelioration, economic buildings, etc.

County trusts of state agricultural enterprises are organized in each county and run as units with economic administration and juridical status.

At a central level, the leadership and guidance of state agricultural enterprises are ensured by the Department of State Agriculture of the Ministry of Agriculture and Food Industry.

The current achievements that our party and state expect from state agricultural enterprises in the new organizational conditions urgently necessitate improvements in all economic and organizational activities, so that these units can actively contribute to accelerating the process of intensive and modern development of the agricultural sector.

Referring to the tasks of these units, Comrade Nicolae Ceausescu stressed: "It is the task of state agricultural enterprises to organize activities in keeping with the latest scientific-technical methods, so that, in close cooperation with the other components of the agroindustrial councils, they can ensure an efficient and rational utilization of land and of material and cash resources, achieve minimum production costs, and enhance the efficiency of all economic activities."<sup>4</sup>

In the new organizational conditions, objective premises are created for expanding the process of production concentration and specialization, organizing rational land systems with appropriately sized fields, establishing large and specialized centers of agricultural machinery, applying uniform technologies to all fields, utilizing allocated resources with increased economic efficiency, and better organizing labor, thus helping the state agricultural enterprises to increasingly conform to current norms of technical and economic progress.

One of the important aspects of economic-organizational activities in state agricultural enterprises concerns the material and moral incentives offered both the enterprise, and the working people. The basic form of enhancing material and moral incentives for working people in state agriculture is the overall contract system. Under this system, the earnings of the working people are conditioned by both the volume and quality of work done, and by the production and economic results achieved.

The entire complex of measures concerning improvements in the organizational system requires particular efforts and sustained activities on the part of party organizations, working people's councils, and all members of state agricultural enterprises. Increasing the leading role of the party in these units is directly predicated by competent and efficient work guidance at all organizational levels and by the adoption of realistic decisions, capable of channeling all human and material resources toward the fulfillment of this task. The party bodies and organizations and working people's councils are responsible for promoting valuable initiatives and experience shown to have yielded good results in state agricultural enterprises and to generalize advanced experiences, with a view to increasing agricultural productions to the level and at the rate established by party-state documents.

### 16.3 Improving the Organization of Agricultural Production Cooperatives

The agricultural production cooperatives constitute one of the most important sectors of our agriculture in view of the extent of arable land they hold, their share in the overall production, and the manpower they employ.

The agricultural production cooperatives are socialist agricultural enterprises based on socialist-cooperative group ownership of the production means. They are organized and run on the basis of self-management and economic-financial self-administration, have independent property rights, their rights and obligations are established under statutory provisions, and have an autonomous organization and juridical status. The management and activities of agricultural production cooperatives are subject to the principle of internal cooperative democracy, reflected in the unrestricted participation of each cooperative member in decision-making.

In the years immediately following the conclusion of the collectivization process, various measures were taken to ensure the economic-organizational consolidation of the young cooperatives, and extensive programs were launched to optimally organize production and labor and to secure the necessary specialized cadres. "The agricultural production cooperatives," Comrade Nicolae Ceausescu stressed, "have proven themselves as the best form of organization for the united work of the peasantry, for the socialist development of our agriculture, and for continuously increasing production."<sup>5</sup>

Throughout the period following the Ninth RCP Congress, our party and state consistently worked to find the most suitable forms of ensuring the economic-organizational consolidation of the agricultural production cooperatives. These efforts led to the development of vital production branches for the national economy such as the production of grain and industrial plants, the development of grape and fruit growing, truck farming, and so forth. Livestock production branches also developed.

Simultaneously with the development and diversification of production branches in cooperatives, efforts were made to ensure rational sizing for these units. Following guidelines issued by the party and by Comrade Nicolae Ceausescu personally, small cooperatives were combined to form large and strong units, capable of more productively exploiting the land and investments, and of creating conditions for intensifying and diversifying production.

To optimally effect the process of unification of certain cooperatives, consideration was given to area particularities, to the natural and economic conditions prevailing characterizing each unit, future development prospects, degree of work mechanization, and to the interests and wishes of the cooperative members.

One of the most important technical-organizational measures that contributes to raising the economic efficiency of production in agricultural cooperatives is the streamlining and specialization of the cooperatives. Those are objective requirements determined by the technical equipment supplied to cooperative units, and by the need to expand progressive technologies and to deepen the social division of labor. Streamlining and specialization ensure adjustment between the structure of the production and the natural and socioeconomic



conditions of each unit, in keeping with the requirements of the national economy for various agricultural products.

On the basis of these considerations, the Tenth RCP Congress established the task of having units streamlined and specialized, with a view to achieving the largest possible vegetable and animal productions. In keeping with this guideline, agricultural production cooperatives began resizing production branches and increased the degree of concentration and specialization of their production. The majority of agricultural production cooperatives established major, complementary, and secondary branches according to the natural-economic character of their area.

An equally important endeavor of our party-state agrarian policy is labor organization in the cooperative sector of agriculture. The forms and methods of labor organization have varied from one period to the other according to the stage of development of production forces and relations and with the specific conditions governing the production process in each unit.

In the first stage of the economic-organizational consolidation of the agricultural cooperatives the emphasis was placed on production teams as the basic form of labor organization.

The Tenth RCP Congress, which established the intensive and many-sided development of agriculture as the basic objective in that area, recommended, among other means of attaining this objective, improving the organization, leadership, and planning of cooperative agriculture. Both at the congress, and at the working meeting of the RCP Central Committee of 23 November 1970 and at the RCP Central Committee plenum of 28 February-2 March 1973, the party secretary general, Comrade Nicolae Ceausescu, stressed the need to introduce new and improved forms of labor and production organization in the agricultural production cooperatives. These guidelines brought about the replacement of the production teams by production farms, conceived as subunits with internal economic administration.

Currently, the organizational structure of the agricultural production cooperatives features farms and service sectors as production subunits.

The internal organization of agricultural cooperatives into farms took place gradually, in keeping with specific conditions, technical-material resources, the diversity of production branches and the degree of their concentration and specialization, available skilled cadres, and so forth.

Production farms specializing in major crops, vegetables, fruit, and grapes were organized in all the production sectors of agricultural production cooperatives. In the livestock sector, specialized farms were organized in cooperatives that had large number of animals, and were divided into cattle farms, pig farms, sheep farms, and chicken farms for either eggs or meat production.

Mixed vegetable or livestock farms were organized in cooperatives with less land or animals.

The internal organization of the farms is based on teams composed exclusively of cooperative members, mixed teams of cooperative members and mechanics, or teams of mechanics only. This organizational form is designed to combine personal and collective responsibility for performing operations well and on schedule, and for the results obtained.

In order to economically utilize labor means and forces, and to ensure direct on the job leadership, the process of organization of the farms is accompanied by steps to ensure that farms are of an optimal size, in keeping with their production profile, degree of mechanization and specialization, and other economic-technical and social factors. In the livestock sector, the size of the farm is determined by the raising and fattening system employed--small scale or industrial scale.

The purpose of service and processing sectors is to efficiently utilize the material, cash, and labor resources of each unit, and their contribution to increasing the incomes of the cooperative and of its members is considerable.

Simultaneously with improving labor organization in agricultural production cooperatives, the party-state leadership is also consistently concerned with enhancing the material incentives offered to cooperative members, as a major factor for increasing agricultural production and promoting the economic-organizational consolidation of the cooperatives.

The system and forms of remuneration of cooperative members have undergone several stages of improvement, namely: remuneration based on days of completed work supplemented by additional pay, remuneration based on conventional norms, and the overall contract system.

The overall contract system, which was implemented experimentally in 1971, has increased the work participation of the cooperative members, improved time utilization, and substantially raised the quality of agricultural operations from the viewpoints of quantity, quality, and timeliness, and finally, it has permitted increases in the pay and incomes of cooperative members. Consequently, on the basis of decision of the RCP Central Committee plenum of 28 February-2 March 1973, measures were taken to generalize labor organization and remuneration under the overall contract system in all the production sectors of cooperative agriculture.

An important stage in continuously improving the labor remuneration system in agricultural production cooperatives was marked by the introduction, in 1982, of a new remuneration system based on the general principles and regulations applied to all categories of working people. Under this system, norms equivalent to those used in state agricultural enterprises for identical operations, and norm tariffs close to those practice in state agriculture were introduced in the cooperative sector. Thus, conditions were created for ensuring equal incomes for the same volume of work and for the same productions achieved by cooperative members, as well as supplementary incomes for production obtained in excess of the plan. According to the new system, cooperative members and other workers employed in cooperative agriculture are paid in direct relationship to the quantity and quality of the work done, with the productions and revenues achieved, and with the results obtained in reducing production costs and in enhancing efficiency in all the sectors of the respective unit. The cooperative members are paid in accordance with the fulfillment of the production and revenues plan as envisaged under income and expenditure budgets, out of the funds of each unit, and on the basis of the resolute implementation of the principles of self-management, self-administration, and self-financing. Under this system, the pay of cooperative members is composed of: base pay in cash and in kind established under tariffs for work norms, product unit, or for 1,000 lei worth of itemized production, that constitutin the major part of

the pay; profit-sharing in cash or in cash and in kind, accorded for the fulfillment of the planned production; additional cash payment, or payment in cash and in kind, for productions obtained in excess of the plan; allowances for length of service in the same unit and in the same sector of activity.

Within the new system, the main form of remuneration remains the overall contract system, which directly links the personal pay of cooperative members to work quantity, quality, and results. The overall contract system affects both cooperative members belonging to teams, farms, and production sectors, and technical and administrative personnel.

Paying out part of the remuneration in kind constitutes an important factor of material incentive for the cooperative members, as it provides grain for their consumption and personal households in accordance with the provisions of the self-supply program.

Sharing in the profits obtained by fulfilling and exceeding the plan is a new element in the remuneration of cooperative members. Thus, up to 15 percent of planned profits are earmarked for profit-sharing, a fact which constitutes a new and powerful incentive for the cooperative members. Incentives are even stronger when the plan is exceeded and when the profit-sharing quota is raised to up to 50 percent of excess profits. The resulting additional pay is accorded to the work teams and cooperative members directly responsible for exceeding the planned production.

Cooperative members in managerial or administrative positions are paid in accordance with the revenues achieved by the cooperative members and with the size and complexity of the cooperative, and in keeping with the principles of socialist ethics and equity.

The agricultural production cooperatives are components of joint state and cooperative agroindustrial councils. The county general directorates for agriculture exercise their regional leadership through these councils.

At the same time, all production cooperatives of a county are associated within the County Union of Agricultural Production Cooperatives (U.J.C.A.P.), and within the National Union of Agricultural Production Cooperatives (U.N.C.A.P.) at a central level. As democratic and representative organizations of the agricultural production cooperatives, the cooperative unions carry out activities on the basis of internal statutes, and are directly overseen by the RCP Central Committee and by county party committees.

#### 16.4 Improving the Organization of Agricultural Machinery Stations

Agricultural mechanization is one of the major concerns of our party-state agrarian policy and a decisive factor for achieving a new and profound agrarian revolution.

The decisive role in expanding and diversifying agricultural mechanization is played by the agricultural machinery stations, which are specialized units belonging to joint state and cooperative agroindustrial councils.

Simultaneously with the establishment and development of the socialist agricultural sector, machinery stations have increased in number, have been massively supplied with modern equipment, and have undergone continuous organizational improvements.

At the new stage of development of the agriculture, the role and tasks of the agricultural machinery stations are expanding through a better cooperation with and integration in the production activities of state and cooperative agricultural units; they are bearing an increasing responsibility for field work and for the implementation of programs aimed at increasing agricultural production. In his speech to the RCP Central Committee meeting on agricultural matters, Comrade Nicolae Ceausescu stressed: "We must fully integrate the machinery stations within state agricultural enterprises and agricultural production cooperatives. The mechanics must be viewed as permanent workers of the state agricultural enterprise, and the latter must be in charge of the machinery and its utilization, and of the mechanics. Similarly, mechanics employed in cooperative stations of agricultural machinery must be incorporated as permanent workers and as members of the respective agricultural production cooperatives."<sup>6</sup>

The decree on improving mechanization activities and regulating the relations between agricultural machinery stations and agricultural units within joint state and cooperative agroindustrial councils envisages a number of measures concerning the organization of mechanization work, the mechanized performance of agricultural operations, pay for work and services done by agricultural machinery stations, and the responsibilities of the joint state and cooperative agroindustrial council and of bodies of collective leadership in state and cooperative agricultural units in this area. According to the new concept, the agricultural machinery stations together with state and cooperative units organize and carry out agricultural work at the optimal time, observe technological norms, efficiently utilize the fleet of tractors and agricultural machinery, and strengthen order and discipline, with a view to securing large and efficient productions.

As subunits of agricultural machinery stations, the sections and teams of mechanics allocated to state or cooperative units become an integral part of the latter and are dually subordinated to both the management of the respective state or cooperative unit, and to their station management. The working personnel belonging to mechanization teams and sections become permanent workers of the state agricultural enterprise, while those of cooperative units become integrated as cooperative members. Thus, although the machinery section remains the basic subunit of the agricultural machinery station, its activity is primarily focused on providing technical assistance and efficient repairs.

The tractors and agricultural machines of the agricultural machinery stations are given to state and cooperative agricultural units for use on the basis of long-term contracts. The latter work out programs and the most economical manner of performing mechanized operations, their order and priority, and calculate the manpower required for maintenance, technical supervision, and current repairs, which are carried out by the personnel of machinery sections and teams.

The agricultural machinery stations are responsible for supplying tractors and agricultural machines according to the norms in effect; they oversee the maintenance of the machines, carry out timely and appropriate repairs, and provide fuel, lubricants, parts, and material, with a view to ensuring the mechanized operations envisaged in production technologies. Specialized centers will be established under the direct leadership of the mechanization trust of the

general directorate for agriculture and food industry to assemble livestock installations and equipment and to carry out capital repairs, metal work, service, and so forth in each county. Note that the agricultural machinery stations will be equipped on the basis of the development and standardization programs approved within a uniform concept, and will be provided with all the machinery required for all agricultural sectors.

A major means of improving mechanization activities is to have work performed in each unit by large and permanent teams led by agricultural experts; such teams should be organized as a rule in the production farms of state and cooperative units for the duration of at least one production cycle or calendar year. Large teams of mechanics permit a better production and labor organization, contribute to enhancing the mechanics' responsibility for the quality of agricultural operations, ensure the continuity of such operations, preclude empty machine runs, free fields well in time, and provide prompt and skilled expert assistance.

Together with the mechanics, the agricultural specialists lead and are responsible for the performance of all operations envisaged in technological norms. for each crop, for chemicalization and irrigation programs, for the observance of fuel and lubricant consumption norms, for obtaining the planned productions on the fields allocated to them, and for achieving at minimal cost the revenues that the respective farm and mechanization team are expected to achieve. Special tasks are envisaged for experts directly employed in production activities concerning the entire range of operations, from plowing to harvesting and to appropriately transporting and storing the crops.

During peak seasons, all available machines and manpower will be concentrated on completing plowing and sowing satisfactorily and on schedule, and on harvesting the crops without losses, and priorities will be set in situations in which several agricultural operations are required at the same time.

One of the important factors for improving the organization of and raising economic efficiency in agricultural machinery stations is basing their activities on economic principles. Thus, it is important to consolidate the principle of self-administration which primarily requires the units to finance their costs and to obtain profits on the basis of their own revenues. Self-administration in agricultural machinery station implies continuous efforts to ensure efficient management and to reduce production costs, material costs in particular, and to continuously increase incomes derived from the work done for units belonging to the joint council. The state agricultural units reimburse the machinery stations for their actual expenses<sup>7</sup>, to which is added a 5 percent payment. Should the actual expenses be lower or higher than the norm, the difference will be either viewed as a savings or incurred by the state agricultural unit. Agricultural operations performed by machinery stations for cooperative units are paid for in cash or in kind. Note that payments to machinery stations are based on tariffs per product unit and according to the productions obtained by each cooperative. As an incentive to team members, mechanization sections, or workshops to save materials, fuel, and energy above and beyond existing norms, they will be granted bonuses; however, when norm consumption is exceeded, the unit will recover its losses from the persons responsible for them. In order to base the relationship between machinery stations and agricultural units within the joint state and cooperative agro-industrial councils on principles such as the above, efforts must be made to utilize the fleet of tractors and agricultural machines with maximum efficiency

and to obtain the largest possible productions at the lowest possible cost per product unit.

Agricultural machinery stations provide mechanized operations for individual producers in non-cooperative areas, too; payment is based on tariffs correlated to production costs.

An additional new incentive for the mechanics, designed to ensure lengthy service and to enhance their devotion to the unit in which they work, is to allocate a lot of up to 0.15 hectares for personal use to the working personnel of mechanization sections and teams with membership status in an agricultural production cooperative, and of up to 0.10 hectares to those employed in state agricultural enterprises.

The measures adopted by our party-state leadership to integrate the agricultural machinery stations within units belonging to a joint state and cooperative agroindustrial council are meant to be implemented at all organizational levels, with a view to ensuring large and efficient productions. In order to achieve these objectives, it is very important to improve all party activities in mechanization units, as well as the activities of working people's councils and of all workers. It is the duty of party organizations in agricultural machinery stations to carry out intensive efforts to raise the political, ideological, and cultural level, to raise the professional skills of the mechanics, to steadily implement the principles of socialist ethics and equity, and to strengthen order and discipline in all work sectors.

Thus, the agricultural machinery stations will contribute to obtaining increasing vegetable and animal productions, to increasing centralized state stocks of agricultural and food products, and on this basis, to raising the material well-being of the working people.

#### 16.5 Forms of Cooperation and Association in the Agricultural Sector

An important role in the process of developing and modernizing the agriculture is played by cooperation and association among units.

The development of cooperation and association ventures is aimed at efficiently utilizing material, cash, and manpower resources; spreading progressive production and organization experiences; better processing, industrializing, and utilizing agricultural products; concentrating and integrating the production and promoting unit specialization, and developing small-scale industry, construction, and services. Cooperation and association ventures help implement our party-state policy of supplying diversified and high-quality consumer goods and services for the people and for the national economy.

The object of cooperation is to organize technical-economic actions and services among cooperative units, and between the latter and state or consumer cooperative units within the area of a joint agroindustrial council or outside it.

Cooperation ventures are based on a voluntary agreement among agricultural production cooperatives, state units, or units belonging to the consumer cooperative, under which the units preserve their autonomy and the right of ownership over the means of production involved in the joint venture.

It must be emphasized that cooperation ventures are carried out on the basis of a cooperation contract concluded only with the approval of the working people's councils in state units, or of the general meeting of each agricultural production or consumer cooperative involved in it. The units involved in such a venture will feature in their production plans and budgets the means required to fulfill their contract obligations.

One of the most popular forms of cooperation occurs between agricultural machinery stations and agricultural units. On the basis of a cooperation contract, the machinery station contributes tractors, agricultural machines, mechanics, and the materials required for carrying out mechanized operations according to technological norms, including transportation for the harvest and for freeing the fields, while the agricultural unit contributes the land, manpower, and materials required to achieve the production. Joint responsibility is thus created for fulfilling the production and financial tasks of the contract partners. Failure to comply with the obligations assumed under the cooperation contract incurs the sanctions envisaged in the Contracts Law.

Association constitutes a higher form of production sharing that expands the scope of group ownership. Association between state and cooperative agricultural production units leads to the creation of a new type of socialist national and cooperative ownership. New production and processing capacities for agricultural products are established through the founding of inter-cooperative economic associations as economic enterprises.

The establishment of economic associations must not detract from the activities of the basic agricultural units (the state agricultural enterprise or the agricultural production cooperative)--a tendency that has been recently noted and that has been criticized by the party secretary general, Comrade Nicolae Ceausescu. According to this guideline, the vital principle of free assent and of the autonomy of the agricultural units members of an association must be observed.

Association among agricultural economic units is governed by the statute of intercooperative economic association, which features the objective and manner of establishment of intercooperative economic associations, areas of activity, the organization, operation, and management of an intercooperative economic association, the rights and obligations of the component units of economic associations, and so forth.

Within the context of improving relations among the component units of a joint state and cooperative agroindustrial council, certain guidelines concerning the process of association stand out, namely: improving the activities of the associations, and primarily ensuring their profitability, so as not to affect the situation of the member units but on the contrary, to contribute to consolidating it; achieving productions at the level of their potential and of planned parameters; promoting a more active participation of the association units in taking economic and organizational decisions, with a view to selecting the most efficient solutions; observing the obligations of the component units concerning the supply of fodder, materials, and other products required to achieve circulating capital; increasing the contribution of the associations to implementing the program on regional self-management and self-supply through their more active contribution to the centralized state stocks of agricultural and food products and to the county agricultural and food consumer stocks.

In order to avoid in the future the occurrence of associations diminishing the activities of agricultural production cooperatives and state agricultural enterprises--the basic agricultural units--or negatively affecting their economic and financial situation, associations will be established only where conditions of maximum profitability are ascertained.

In view of the high economic efficiency of industrial and service associations, of the impact they can have on units with economic or financial difficulties, and of the need to meet local requirements, such associations will in the future be established in each council.

Following the guidelines issued by the party, steps must be taken to remedy the situation prevailing in vegetable associations to which cooperative units contribute land that is not efficiently utilized.

#### 16.6 Joint State and Cooperative Agroindustrial Councils

The new conditions under which the state and cooperative agricultural units are carrying out their activities, the development of both forms of ownership in the agricultural sector, the elements they have in common, and the need to expand the cooperation between them have brought about improvements in the forms of organization, management, and planning of agricultural units through the establishment of joint state and cooperative agroindustrial councils. This form of organization constitutes an objectively necessary stage in the process of transition from the objective of quantity to quality in agriculture, too, a stage designed to considerably increase agricultural production and economic efficiency in this sector.

A joint state and cooperative council is composed of units located in its perimeter: the agricultural machinery station, agricultural production cooperatives, intercooperative economic associations and associations between agricultural cooperatives and state or consumer cooperative units, state agricultural enterprises and green-house enterprises, farms belonging to state agricultural enterprises, state enterprises for raising and fattening pigs, institutes and pilot stations, agricultural schools, plant protection centers or teams, and sanitary-veterinarian centers.

Working on the basis of strict observance of party-state decisions, the joint state and cooperative agroindustrial councils provide optimal conditions for ensuring a uniform management of all agricultural sectors. In accordance with the measures established by the RCP Central Committee plenum of 1 February 1979, the joint councils incorporate both cooperative and state units that preserve their administrative autonomy and have a plan of their own featuring the tasks devolving on them from the overall plan of development of the national economy, for which each unit is responsible.

The joint state and cooperative agroindustrial councils are responsible for the organization and achievement in each member unit of cooperation and association ventures among agricultural cooperatives, and between them and state and consumer cooperative units, and for organizing the processing and industrialization of agricultural products. Under the new organization concept, the joint agroindustrial councils ensure the utilization of local resources of raw and other materials, and of reusable materials, through the organization of



industrial and construction activities, the manufacture of consumer and artisanal products, the manufacture and reconditioning of parts and subassemblies, and through expanding the network of consumer services, thus contributing to steadily increasing revenues and to the economic-organizational consolidation of all units. At the same time, the joint councils permit a closer coordination between decision-making at management level and production. This is entirely feasible in view of the fact that the council has its own plan and a precisely delimited area of action.

In consequence of the measures taken by the party and state, the role and functions of the joint agroindustrial councils are expanding in keeping with the new requirements raised by the intensive and modern development of the agriculture and by the achievement of a new and profound agrarian revolution in the current 5-year plan.

At the 12th party congress, Comrade Nicolae Ceausescu stressed that: "The joint state and cooperative agroindustrial councils have a particularly important role to play under the new organization of the agricultural sectors. Their function is to concentrate and specialize the production, to efficiently utilize the land stock and material, financial, and manpower resources, and to facilitate the economic consolidation of each component unit." <sup>8</sup>

The joint state and cooperative agroindustrial council is responsible for uniformly guiding all the production activities of the component units, for adopting and implementing measures concerning their streamlining and specialization, for scheduling and completing all agricultural work on time, and for implementing and fulfilling development programs and production plans in all the units.

Together with the collective leaderships of state and cooperative agricultural units, the joint state and cooperative agroindustrial council is responsible for the appropriate and legal management of all land areas and for judiciously utilizing all material and financial resources, with a view to fulfilling the planned production tasks and achieving maximum economic efficiency in all activities.

In order to efficiently utilize the land and the other means of production, and in order to uniformly implement production technologies throughout the perimeter of the units belonging to a joint state and cooperative agroindustrial council, steps must be taken to organize crop rotation systems featuring homogenous fields from the viewpoint of soil characteristics and of the optimal size for mechanized operations.

In order to achieve increasing quantities of animal products, the agroindustrial councils ensure judicious distribution of livestock facilities according to species and categories throughout their component units, and take appropriate technical and organizational measures to fulfill production and planned number of animals, as well as to develop fodder resources by efficiently and fully utilizing all existing sources of fodder, including those available in other branches of the economy.

In all their economic and organizational activities, the joint agroindustrial councils consistently promote the resolute implementation of the economic-financial mechanism, the efficient utilization of material and cash resources, an increased sense of responsibility among all working people in the component

units, stringent savings measures, and greater order and discipline, with a view to ensuring timely and high-quality work in all the production sectors. At the same time, they consistently implement the principles of socialist democracy and unit autonomy, so that all undertakings may meet the interests of each unit, those of the cooperative members and of the other working people, and the general interests of the society.

The complex tasks devolving on the joint state and cooperative agroindustrial councils have brought about organizational changes in their composition. Following the guidelines of the party secretary general, Comrade Nicolae Ceausescu, the overall number of joint councils has been reduced. In establishing their scope, greater consideration was given to regional criteria; thus, the average size of a council is greater in the plains and smaller in hilly and mountainous areas.

The number of agricultural machinery stations was reduced accordingly, and some of the stations were turned into repair centers or mechanization sections. Similarly, the number of state agricultural enterprises belonging to one council was increased, while the number of those split among two or more joint councils was reduced. This measure permitted a closer cooperation and integration of state units within a council.

The entire range of measures adopted by the leadership of our party and state to improve the activities of joint state and cooperative agroindustrial councils is designed to increase agricultural vegetable and animal production at the rate and level established under the program documents of the 12th RCP Congress, and thus to raise the living standard of the working people.

#### 16.7 Improving the Activities of Small Private Producers

In our country, agricultural activities are carried out both in large socialist state and cooperative units, and in the homesteads of cooperative members and of farmers in hilly and mountainous non-cooperative areas. The development of the social structure of Romanian agriculture points to a consolidation of state and cooperative ownership, while the importance of individual agricultural production is simultaneously increasing.

The achievement of the fundamental objectives of the agrarian revolution in the area of production is not limited to a qualitative improvement in state and cooperative units, but is also based on considerably raising the volume and dynamics of individual agricultural production.

The homesteads represent small-scale agricultural production in our country, and incorporate the personal holdings of cooperative members, private farms belonging to peasants in non-cooperative hilly and mountainous areas, and the holdings of other working people in towns and villages.

Within the homestead sector of Romania's agriculture, the greatest share--from the viewpoints of number, means of production, and overall production--is held by the private holdings of cooperative members. Thus, private small-scale farming is designed to supplement the consumption fund of the cooperative peasantry--thus being a factor in the natural reproduction of the manpower--and to secure additional revenues, thus raising the living standard of the

cooperative peasantry. At the same time, it constitutes an additional source of agricultural produce for town and village consumers. Private small-scale farming has a positive impact on expanded reproduction in the cooperative sector of the agriculture. By freeing the public administration from the task of providing the entire stock of personal consumption of the cooperative peasants it facilitates increasing accumulation resources and accelerates the rate of expanded reproduction. And finally, small-scale private farming also has a positive influence on the utilization of the agricultural labor force; being an additional area of employment for the labor force, especially for young and old people, and for women.

According to our party's concept, private small-scale farming constitutes a form of social production dictated by real and objective conditions, which contributes to the supply of agricultural and food products, and other consumer requirements. In view of its socioeconomic nature, private farming should be viewed as a specific and transitional form of socialist production, which is currently based on private ownership of land and of certain means of production, and on the labor of cooperative members.

The private agricultural homesteads in non-cooperative areas play an important role in increasing agricultural production.

The main occupation of individual producers is agriculture, in particular livestock and fruit-growing, due to the availability of fodder and labor resources. Aside from their agricultural activities, an increasing number of private peasants take on various non-agricultural jobs in production and service units, in mining, forestry, catering, and tourist units, and in units of the consumer and artisan cooperatives.

In order to fulfill the objectives established under the documents of the 12th RCP Congress and of the national conference of December 1982 concerning the development of agriculture, private homesteads have been assigned particularly great tasks, with a view to further increasing agricultural production and the contribution of this sector to state centralized stocks and to the implementation of the program on regional self-management and self-supply.

In order to fully utilize the land stock, measures are envisaged to expand soil erosion prevention, drainage, and other amelioration operations, so as to recover all available fields for agricultural purposes and to ensure that every person that has a plot of land can till it, including yards, empty lots in communes and towns, etc.

The expansion of cultivated land and consequently, increased production, will contribute to self-supplies of agricultural and food products, and to increasing livestock supplies of concentrate and bulk fodder.

In view of the guidelines issued by the higher party-state leadership concerning improved supplies of vegetable and potatoes in the current 5-year plan, these crops are envisaged to increase, as are average and overall yields, compared to the average achievements of the previous period. For that purpose, homesteads will be provided with productive seeds and hybrids, polyethylene sheets, fertilizer and pesticides, while new outlets will be established to facilitate deliveries of vegetables to state centralized stocks.

The private fruit-growing sector has the support of the state for expanding

orchards; thus, the state provides seedlings, long-term loans for new plantations and for modernizing existing ones, small-capacity machines and equipment, and the necessary tools. Simultaneously, efforts are being made to diversify fruit selection and to further develop the growing of fruit bushes and strawberries. Thus, further aid will be extended to fruit growers' associations, the establishment of new associations will be encouraged, and fruit-growing centers and communes will be helped to specialize in cultivating less wide-spread species such as: cherries, sour cherries, walnuts, fruit bushes, and strawberries. Important tasks devolve on people's councils, whose duty it is to organize the plantation of fruit trees along communal roads, on uneven land and slopes, priority being given to walnuts and other species.

The current system of production contracts must be improved in order to ensure efficient deliveries of fruit to centralized state stocks; thus, on the basis of the fulfillment of contract obligations, producers will be granted special terms concerning the cost of crop treatment performed by the relevant centers.

Concerning vineyards, measures are envisaged to systematize isolated vineyards planted on arable land to permit mechanized maintenance, and to establish new plantations on mountain slopes, especially in the vicinity of villages. The state will provide aid in the form of valuable species and hybrids for both wine and table grapes. Mobile facilities will be established for the delivery and processing of the entire production grown under contract by cooperative members or individual growers in non-cooperative areas.

In view of the homesteads' potential for raising livestock and of the contribution they can make to state centralized stocks, a substantial increase is envisaged in livestock numbers and in average and overall production in the 1981-85 period. On the basis of the party's guidelines and of the law, agricultural bodies and the commissions of agricultural producers must carry out intensive political propaganda to prevail upon all village inhabitants to raise as many animals and fowl as possible, according to their plots of land. Small producers will be helped to improve livestock breeds, to secure better stud material, to improve technical and sanitary-veterinarian assistance, and to ensure appropriate livestock foddering and shelters.

In order to judiciously utilize the existing shelters and the manpower available in the private sector, the socialist agricultural units, with the aid of county bodies and joint state and cooperative agroindustrial councils, will expand cooperation ventures concerning home services for livestock raising and fattening, and will conclude contracts with the producers. Special farms will be thus established for suckling pigs and chicks that will then be delivered to private households; the consumer cooperative will also contribute to such ventures. Similarly, the state will extend support with a view to developing the raising of small fur animals, bees, and silk worms.

In order to implement the program on developing private livestock raising, measures are required to increase fodder resources, by raising the average hectare yields of root plants, perennials, and green mass, and increasing the productivity of natural pasture and hay fields. There are plans to produce seeds from valuable strains of lucerne, clover, and fodder beets and turnips; to fertilize all fields under fodder crops and natural pastures with both manure and chemical fertilizer allocated through the consumer cooperative, and to perform all technological operations on schedule and at a high quality level, beginning with sowing and down to fodder mixing, as well as to provide appropriate machines and tools.

The development of private agricultural production is supported by an active credits policy; agricultural producers are granted long-term, advantageous loans to procure work animals, build facilities, and so forth.

An important contribution to organizing agriculture in non-cooperative areas upon scientific bases is made by specialized cadres. As the party secretary general, Comrade Nicolae Ceausescu, stressed in his speech to the expanded plenum of the National Council for Agriculture of December 1982, such cadres must be reassigned in order to ensure appropriate guidance and management for all agricultural units as well as for non-cooperative communes.

Another lever through which the state assists and encourages individual small-scale and private farming is profitable contract and purchase prices. Bonuses are awarded for delivering produce in excess of contract stipulations and for high-quality products. Similarly, to help increase revenues and reduce the need for leaving the village, measures are being taken to develop various industrial, tourist, and other non-agricultural activities, while traditional rural occupations are being revitalized.

Special agricultural mechanization stations and mechanization sections or teams, provided with the agricultural machines required for work in hilly areas, are being organized to assist private farmers in non-cooperative areas. Mechanization stations in non-cooperative areas will also provide maintenance and repair services for equipment used in the livestock sector, and will manufacture and recondition the necessary spare parts.

In view of the contribution that the commissions of individual agricultural producers and the association of livestock raisers can make to increasing production and deliveries to centralized state stocks, it is necessary to first consolidate the existing ones, and only then consider new agricultural associations.

The consistent implementation of the program on raising the material and cultural living standard of all the people has resulted in the establishment of an old age pension system for private farmers, the effect of which was to enhance their willingness to continue working in agriculture.

The entire range of measures established by the leadership of our party and state is designed to contribute to developing and increasing efficiency in the agricultural sector, increasing revenues for individual producers and their contribution to centralized state stocks, and ensuring better supplies of agricultural and food products for all working people in our country.

## 18. Improving the Economic-Financial Mechanism in Agriculture

The economic-financial mechanism is a complex system of utilization of material, cash, and manpower resources featuring the entire range of principles, forms, and methods of organization and planned leadership of the national economy, and the economic-financial levers employed in promoting and guiding economic activities toward continuously increasing efficiency in all areas.

According to the RCP concept, the economic-financial mechanism is not an immovable system; on the contrary, it is being continuously perfected and adapted to the objective requirements of each stage of development of our society. At the current stage of manysided development of our society, a stage marked by the transition to a higher quality of economic activities, it has become necessary to improve the economic-financial mechanism so as to give the economic units and their bodies of collective management appropriate levers for optimally fulfilling their role and functions, enhancing economic efficiency, offering the working people incentives to better utilize available resources, and obtaining superior economic results.

The essential means of improving the economic-financial mechanism is establishing self-management and self-administration as the basis for the organization and operation of economic units. As Comrade Nicolae Ceausescu stressed, "The enterprises must ensure the implementation of the principle of workers' self-management and economic-financial self-administration, founded on increased direct responsibility borne by the collective leaderships and by all the working people in the respective units for the efficiency of their economic activities."<sup>9</sup>

The way was paved for the introduction of workers' self-management by the measures initiated and promoted by our party to democratize the socioeconomic life, and this new system constitutes a higher expression of workers' democracy. It also constitutes a qualitatively superior form of economic leadership, characterized by the competent, active, direct, and responsible participation of the working people--as owners of the means of production, producers, and users of the material and cultural assets--in the process of establishing, adopting, implementing, and overseeing decisions concerning the allocation, utilization, and distribution of the resources entrusted to their management by the society.

The qualitative leap forward accomplished in the area of leadership through the promotion of workers' self-management lies in the transition from forms of exercise of representative democracy to forms of direct democracy in engaging the collective efforts, initiatives, and responsibilities in resolving problems concerning the efficient administration of society's resources.

Owing to its contents and forms of implementation, self-management constitutes one of the most important means of involving the working people in the management of economic activities, and of promoting all the people's participation in building the comprehensively developed socialist society.

Self-management, as a method of collective management of enterprises, requires a leadership system that will ensure the extensive participation of the working people in each unit in the process of leadership. In agricultural units, this system is marked by the specific characteristics of the two forms of socialist ownership--state and cooperative.

Simultaneously with the implementation of workers' self-management, the introduction of the new economic-financial system required substantial changes in the system and forms of administration and management of the production units, and improved forms, methods, and economic-financial levers, so as to considerably raise economic efficiency. This was achieved by replacing the old system of economic administration by the system of economic-financial self-administration.

The concept of economic-financial self-administration defines the entire range of relations, forms, and means that govern the administration, management, and operation of socialist property in production and regional-administrative units. Naturally, there is an indissoluble link between workers' self-management and economic-financial self-administration. Workers' self-management objectively assumes economic-financial self-administration. It constitutes an essential organic element of workers' self-management and the material means of implementing it.

Self-administration involves a series of economic-financial levers, forms, methods, and means, and economic functions and responsibilities for the units. Self-administration puts the emphasis on the direct responsibility of the unit collective for the requirements of the society.

From the viewpoint of its socioeconomic contents, economic-financial self-administration constitutes a specific class of socialist production relations that reflects the framework, manner, and mechanism of operation of socialist property economic units in the conditions of planned development. As is known, for various technical, economic, and organizational reasons, economic activities are carried out within distinct production units according to production branch and category. The framework, manner, and mechanism of operation of these distinct economic units are determined not just by the relations of exchange and cooperation objectively dictated by the division of labor, but also by the contents of the social relations of production, the existence of socialist ownership of the major means of production, and the planned and proportionate development of the entire national economy. In these conditions, the operational autonomy of an enterprise is limited by the need to preserve the indivisible character of socialist ownership of the main means of production and by the uniform running of the national economy on the basis of a single plan. The working personnel of the enterprise is entrusted with the management and utilization of a part of the national wealth. It is thus invested with a great responsibility. The means of production allocated to a collective must be managed with maximum efficiency and in accordance with the needs of the society. This, in fact, is the actual function of economic-financial self-administration.

On the basis of the documents of the 12th RCP Congress and of the party national conference, economic and legal measures have been taken to enhance the responsibility of each collective of working people for the management and development of socialist property. Aside from their status of collective owners of a part of the property of the people, through the introduction of social shares the working people will be in a position to directly own apart of the property of their unit. Owning a social share in the property of the enterprise will further consolidate the feeling of ownership of socialist property and people's interest in safeguarding and developing their units, in optimally organizing production and labor, and in increasing profitability and efficiency in all areas of activity.

In our society, in which the working people are simultaneously owners, producers, and consumers, and in which all the people are responsible for the management of socialist property, their incomes must be directly linked to the fulfillment of production tasks, labor productivity, and economic efficiency. Of a particular importance along this line is the program on the implementation of the decisions of the RCP national conference of 16-18 December 1982 in the area of labor remuneration and distribution of working people's incomes, governed by the basic idea of directly linking each person's income to his contribution to the results obtained. The incomes of the working people can and may continuously increase only in relationship to the work done. No one may be paid unless he works.

The following conditions are required for running economic units on the principle of economic-financial principles: activities must be based on the enterprise's own plan that is part and parcel of the single national plan of socioeconomic development, and on its own income and expenditure budget; the unit must use its own funds to develop production capacities, secure circulating capital, and engage in housing construction and other social investments; profit-sharing for the working people, and promotion of research, technological development, and technical progress; adoption of forms of material incentive with a view to encouraging the working personnel to increase labor productivity and enhance economic efficiency.

#### 18.1. Improving the Planned Management of Agriculture

Under a socialist economy, the objective laws, production relations, and joint interests generated by collective ownership of the means of production constitute a favorable background for the economic mechanism; the most important aspect of this mechanism is the planned and uniform leadership of all socioeconomic activities. Directly subordinated to the fundamental economic law of socialism, planning activities require an intensive mobilization of the national resources and channeling them toward the areas that can ensure a dynamic and balanced economic development; they also require the utilization with increased efficiency of all the resources available at each stage for best meeting the material and cultural needs of the society members.

According to our party concept, the single national plan of socioeconomic development, worked out in accordance with the requirements of objective laws and with the socioeconomic relations prevailing in each stage, constitutes the means of channeling and pooling the efforts of the entire nation toward build-



ing the comprehensively developed socialist society and creating the conditions for building communism. By incorporating and harmoniously correlating all the economic and social aspects of national development, the plan embodies in its provisions a blending of current objectives with strategic, long-term aims.

In view of its multiple functions--ensuring the agricultural and food products required for the rational nutrition of all the people; producing raw materials for industry; exports, and contribution to the fund of socioeconomic development--the agricultural sector plays an important role within the single national plan. In order to fulfill these functions, the plan must ensure the integration, on the basis of uniform principles, of agriculture within the entire national economy, and, at the same time, must account for the specific characteristics of this sector.

Proceeding from the fact that the society is going through very dynamic changes, our party has been paying particular attention to improving the forms and methods of leadership in accordance with the achievements and objectives of each stage of socioeconomic development.

After 1965, an extensive process was initiated to improve leadership, organization, and planning; this process affected all the spheres of socioeconomic life. The party leadership and Comrade Nicolae Ceausescu have consistently been concerned with adopting and implementing improvement measures extensively and uniformly, a fact which played a decisive role for our policy of socioeconomic development, for the establishment of the current system of organization, leadership, and planning, and for continuously improving the economic-financial mechanism.

Within the framework of this extensive process, steps were taken to consolidate the role of the single national plan and to harmoniously blend centralized leadership with the initiative and responsibility of the socialist units. In order to ensure the fulfilment of current tasks in correlation with future objectives, long-term forecasts were worked out, the system of establishment of 5-year and annual plans was improved, and a system of branch programs was introduced. In the agricultural sector, national programs have been established on hydroamelioration and livestock, as well as special programs on major crops. In agriculture, as throughout the national economy, new organizational forms and structures have been developed to raise the degree of production concentration and specialization, expand cooperation and association, and better coordinate between management and production, and between decisions and specific jobs.

Of a particular importance for improving socioeconomic leadership and planning are the measures taken by the RCP Central Committee plenum of 22-23 March 1978 which, as Comrade Nicolae Ceausescu stressed, were designed to "blend the democratic, organizational framework with the economic-financial mechanism so that planning and leadership methods should pave the way for the unrestricted and active operation of all the bodies of collective leadership we have created, and for mass initiative." <sup>10</sup>

The measures adopted by the RCP Central Committee plenum focused on strength-

ening workers' self-management and economic-financial self-administration, channeling general efforts toward the efficient management of all resources, emphasizing quality, and mobilizing the intensive factors of economic growth. The results obtained in the period following the the party plenum of March 1978 highlight the correctness of the measures taken to introduce the new economic-financial mechanism and to base all activities upon economic principles. The role and responsibilities of economic units and of collective leadership bodies in planning their own activities have increased, economic contracts have acquired a greater importance for planning, and the system of indexes, norms, and regulations has improved.

The fundamental objective of the entire range of measures adopted by the RCP Central Committee plenum is to combine the uniform leadership, based on the single national plan, of the building of the comprehensively developed socialist society, with economic-financial autonomy for production units and with the principles of workers' self-management. "I want to clearly state," the party secretary general emphasized, "that we must base the leadership of all socioeconomic activities on both democratic centralism--while resolutely eliminating excessive and rigid centralism--and on self-management, a principle that must contribute to enhancing the responsibility, decision-making authority, and actions of local bodies, centrals, and enterprises, while watching against and acting to eliminate any tendency toward anarchy and local patriotism--as they say--or toward violating the laws and decisions that bind all party-state bodies and all the citizens of our country."<sup>11</sup>

The socioeconomic planning mechanism established by the plenum puts special emphasis on increasing the role of enterprises in planning, since the implementation of self-administration is directly predicated by the responsibility of the units for fulfilling the plan tasks and for blending the interests of the collectives of working people with the general interests of the society.

The process of planning begins at basic economic and regional-administrative units and continues through to higher levels, up to the ministry, the State Planning Committee, and the other coordinating bodies. In order to ensure that the proposals made at each stage conform with general development options, guiding levels and norms are established, based on the directives of party congresses and national conferences, on long-term forecasts and special programs, domestic and foreign market studies, long-term contracts, and on a critical analysis of previous achievements.

The increased responsibilities of agricultural units for planning their own activities in close connection with the general agricultural objectives ensures a more realistic basis for 5-year and annual plans and the more efficient utilization of natural, material, and manpower resources.

Of a particular importance for improving the planned leadership of agriculture is the organization of the joint state and cooperative agroindustrial councils. Designed to meet the requirements of the new stage of development of our agriculture, the councils have extensive functions in the uniform organization of agricultural activities, being the basic form of organization and leadership of regional agricultural production. Incorporating all the agricultural units within their radius of activity--whereby the units preserve

their autonomy and are responsible for the fulfillment of the plan--the joint councils provide a new and uniform framework for all agricultural activities and ensure the increasing integration of the production and economic activities of state and cooperative units. The joint council is a plan-holding body, while the component units have their autonomous administration and budgets, having their own plan of tasks.

As plan holders, the joint state and cooperative agroindustrial councils are responsible for the fulfillment of the plan vegetable and animal productions and for the delivery of all the products envisaged to state stocks; they ensure the concentration and specialization of agricultural production; joint endeavors to judiciously utilize the land and material, financial, and manpower resources; increased labor productivity and reduced production costs, and ensure that all component units carry out profitable economic activities.

In establishing, documenting, and carrying out the plan, the agricultural production units--which must conduct direct contacts with consumers and conclude contracts on the entire production achieved--must pursue the following objectives: securing supplies of raw and other materials, fuel and energy in keeping with consumption norms and regulations and with documented stock requirements; reducing specific consumptions and better utilizing material resources, reusable and recoverable materials, parts, and subassemblies; ensuring that tractors, machines, equipment, and installations are in good and efficient working order; allocating the necessary labor force and judiciously utilizing time and labor; reducing costs, increasing profitability, and basing all activities on economic principles.

Within the framework of measures concerning the economic-financial mechanism, improved planning necessarily involves appropriate improvements in plan indexes. Thus, it must be stressed that one of the essential aspects of improving the index system is accentuating the indexes that reflect final activities and efficiency, as well as indexes indicating itemized production and the domestic or foreign destination of the respective production.

In order to raise the level of activity of the agricultural units, it is important to take the net production index as the basic plan index. The importance of this index lies in the fact that it specifies both quantity and quality requirements for state and cooperative agricultural units, thus more clearly expressing the efforts needed to increase the volume of itemized production in the selection ranges required by the national economy, to better utilize land, equipment, fuel, and energy, and to more efficiently use the labor force. Thus, net production reflects the contribution of the agricultural units to increasing the national revenues, providing the resources for the socioeconomic development of the country, and raising the living standard.

The agricultural production cooperatives have long since used the value of net production as the basis for evaluating activities and as the main source of allocations for the consumer and development funds. In the light of the new regulations, this index will be further used with a view to more markedly reducing material expenditures and thus obtaining greater returns for net production.

The linkage between the remuneration fund in state agricultural units and the planned value of the itemized and consumer productions provides a strong material incentive for all the working people to increase material production.

The value indexes of production--consumer and overall production--will be further utilized to decide production costs and profits, and to evaluate the dynamics of development and highlight structural changes in production.

The fulfillment of the net production is assisted by the expanded utilization of itemized indexes, which serve as the basis for establishing production tasks; investments, exports, deliveries to the state centralized stocks of agricultural and food products, and funds for promoting technical progress.

Among itemized indexes, an important role is played by yields per hectare and animal, and overall outputs for each product required by the national economy. These indexes serve as the basis for material inventories, contracts, and for establishing material-technical production conditions. In the area of investments, special stress is put on the indexes that define the results of accumulation efforts at both unit level and for the entire agriculture, such as: fixed assets commissioned and new capacities envisaged for the respective plan year.

Within the context of complex accentuation of quality aspects in the system of plan indexes, an increasingly important role is played in agricultural units by efficiency indexes and norms concerning the utilization of manpower, fuel, fodder, etc., and that of fixed funds.

Among the measures adopted by the RCP Central Committee plenum of 22-23 March 1978, a special attention was given to increasing the function of economic contracts in planning activities and in the fulfillment of 5-year plan provisions. The measures adopted are aimed at facilitating productive activities in close correlation with the real needs of the economy, and at fulfilling production tasks in the quantity, quality, and terms established. According to this concept, the economic contracts become one of the main tools of planning, in that, at the time the plans are approved, firm contracts already exist for practically all domestic consumption and serve as basis for the plan tasks; similarly, export tasks must also be based, to the extent possible, on firm contracts, framework-contracts, agreements, or conventions that ensure secure markets.

In accordance with the measures adopted, the agricultural units are obligated to conclude contracts on the production envisaged in the 5-year plan and for the entire 5-year period, as specified by product destination documents. Wherever necessary, they must adapt and specify the economic contracts according to the updated plan provisions for the following year. Similarly, agricultural units may conclude long-term contracts for over 5 years, on the basis of long-term agricultural development projections and of cooperation agreements with other countries.

In order to create conditions for accentuating the contribution of economic contracts to planning, it is particularly important to improve the balance sheets of agricultural products. In working out these balance sheets, it is

important to ensure deliveries to the centralized stocks of agricultural products. Proceeding from the need to fulfill the plan provisions concerning the state centralized stocks, contracts must envisage the complete fulfillment of all obligations regarding vegetable and animal products.

Equally important for preserving the equilibrium between resources and utilizations is to work out material balance sheets for the land stock, major vegetable and animal products, fodder, labor force, machines and tractors, and so forth.

The annual and, in particular, long-term contracts that determine requirements for agricultural and food products, on the basis of what the state and the entire economy expect from the agricultural sector, give agricultural producers the certitude that their entire vegetable and animal production will be marketed. Contracts constitute an important lever for planning and for securing economic partners for agricultural units. Thus, agricultural machinery stations conclude contracts with state and cooperative units within the perimeter of the joint agroindustrial council on the mechanized performance of agricultural operations envisaged in the relevant technologies, including transportation and freeing the fields. The contract envisages firm obligations for both sides concerning the complete fulfillment of the production plan and the fulfillment of economic and financial obligations between units. Association and cooperation contracts also serve as basis for the relations between state and cooperative units and among the economic associations belonging to joint agroindustrial councils. Contracts are particularly important for planning private small-scale production. On the basis of the latter, people's councils ensure relations between socialist units and small producers and increase the latter's contribution to the state centralized stocks of agricultural and food products.

Proceeding from Comrade Nicolae Ceausescu's concept on the role of the state, on socialist property, and on the responsibilities of each member of a working collective as owner, producer, and consumer, the property of socialist units will be entrusted to the management of the working people employed in the respective unit on the basis of a contract-commitment.

## 18.2 Improving the System of Investment Planning and Credits

Investments are one of the major economic levers for implementing the agrarian policy of our party and state.

According to the law, investment funds serve to finance projects or a complex of projects with a service life of over 1 year and an inventory value of at least 500 lei.

In the agricultural sector, investment funds are used to finance land amelioration expenses (irrigation, drainage, anti-soil erosion operations, etc.); in the vegetable branch, investment funds serve to finance plantations of vineyards and orchards, and related work; in the livestock branch, investment funds are used to procure cattle and sheep in the state agricultural sector, and all types of livestock, including fowl and bees in the cooperative sector.

The investments law, endorsed by the Grand National Assembly at the end of 1980, sums up our country's experience in the area of investments, and envisages measures designed to restrict overextension, shorten the time required to complete investment projects, and to implement investment projects that ensure increased efficiency.

According to the law, new investment projects may not be proposed unless the existing fixed assets are appropriately utilized. Thus, documentation is provided for all investment projects, which may only be included in the 5-year plan of socioeconomic development if the respective documentation is approved by the State Planning Committee, the Ministry of Finance, and the Ministry of Technical-Material Supplies and Control of the Management of Fixed Assets.

Investment projects are included in the annual plan of socioeconomic development only after technical-economic documentations have been approved. Agricultural investment projects involving over 70 million lei require order notes approved under a presidential decree, while lesser investments require approval, under decree, of the major technical-economic indexes.

In order to shorten building duration and to preclude the freezing of investment funds in projects the commissioning of which is delayed, financing must be approved by the Council of Ministers on the basis of an analysis showing that all conditions exist for completing the project within the regulation period (24 months for investments of over 70 millions lei, 12 months for investments that fall under the competence of plan holders, and up to 9 months for those under the competence of economic units).

In order to reduce the cost of investment projects and running costs, the law requires the use of standard constructions, technologies, materials, and building equipment. For the same purpose, the law requires building "module" facilities of optimal size, which can be reproduced in case of need.

Thus, investment projects may be implemented only if they are approved under the single national plan of socioeconomic development. Similarly, the machinery, equipment, means of transportation, fruit and vineyard plantations, anti-soil erosion operations, pasture fields amelioration, and planning costs are also included in the plan, under separate lists and with documentation as to the necessity, opportuneness, and efficiency of the respective project. The lists made by plan holders require the approval of the State Planning Committee, The Ministry of Finance, the Ministry of Technical-Material Supplies, and the Bank for Agriculture and Food Industry.

According to the finance law, modified and supplemented under Law No 2/1979 adopted by the Grand National Assembly in 1979, major investments are financed from the budget, whereby the funds received are repaid to society within the following few years. Currently, this category includes: green houses, cattle and sheep, and complexes and farms for cattle, pigs, sheep, and fowl, including slaughter houses; systematic land amelioration, hop plantations, water management projects, and purchases of tractors and combines.

Other production investments in state agricultural units are financed from

each unit's fund of economic development. The level of this fund is decided by each economic unit in relation to the investments allocated to it by its superior body within the framework of the investment plan approved under the single national plan of socioeconomic development. The sources of the development fund are: the development fund existing at the beginning of the plan year; sums cashed in from taking fixed assets out of operation in the plan year; amortization funds left after repayment of investment funds received in previous years; profits planned for the respective plan year, and 20 percent of profits obtained in excess of the plan. As of 1983, an additional source for the development funds are the social shares purchased by working people. Insufficient own resources may be supplemented by bank credits granted for periods of up to 25 years.

Out of the investment funds annually allocated to state agricultural enterprises, close to 50 percent come from the development fund. We would also like to mention that currently, supplementary bank credits are considerable. The establishment of "major development investments" took into consideration the fact that currently the profitability rate in agriculture is lower; the large credits granted from the development fund are explained by the fact that development fund investments tend to go mostly to livestock units, where profits are lower than in the vegetable sector.

Housing and other social-cultural investments are financed from the "fund for housing and other social investments." This fund is created to the extent necessary for investments allocated out of those approved under the single national plan, and according to the rate of repayment of credits due in the respective plan year. The sources for this fund are similar to those of the development fund, except that a 5 percent quota is allocated out of profits achieved in excess of the plan, while amortization is derived from social-cultural fixed assets. No supplementary credits may be granted for building and outfitting clubs, sports facilities, special assembly halls, and other similar projects, which may only be financed out of a unit's own funds.

The investments of agricultural production cooperatives are governed by the same regulations as the investments of state agricultural units, with the following exceptions: investment funds may be used to purchase any livestock, including laying hens and bees; the development fund is the only source for financing planned investment projects, regardless of their individual cost; the development fund is derived from the same sources as that of state units, with the only exception that a quota of at least 70 percent is allocated out of planned profits, and of 25 percent out of profits obtained in excess of the plan; cash deposits made by cooperative members, specialists, and mechanics as social shares in the ownership of the depositors also go to the development fund.

When the cooperatives' own fund of economic development is not sufficient, they may be granted loans for 3-25 years according to the cost of the investment, the service life of the fixed asset, and the policy of encouraging investment projects in agriculture.

Credits are granted within the limits of the amounts envisaged in the single national plan, and are predicated by the complete utilization of the existing

fixed assets, the certainty of reimbursements on schedule, and at least 30 percent contribution of the unit's own funds to the investment costs. In well justified cases, the amount of the credit may go up to 100 percent of the investment cost.

Investment credits are a particularly important source for developing and consolidating the cooperative sector of agriculture.

### 18.3 The Price System

The general implementation of the new economic-financial mechanism, based on self-management and self-administration, requires a wider use of price levers; more precise evaluation of the socially necessary labor expenses of production; material incentives for producers, and a fair distribution and allocation of newly created assets, with a view to promoting economic efficiency. The net production--the best suited index for evaluating the activities of enterprises--and the achievement of revenues as the basis for material incentives for economic units and their collectives of working people, greatly depend on correctly set prices. At the same time, prices can play a greater role for determining economic units to save and to better utilize their resources, for increasing and diversifying the production, and improving its quality and technical level. Thus, the new economic mechanism creates conditions for asserting the function of prices and consciously wielding them to raise efficiency and as a basis for decisions at both the macroeconomic level and at the level of individual economic units. Primarily, the role of prices is expanded as a measuring tool for economic efficiency and for the contribution of the various enterprises to the national income. Secondly, in view of the need to increase material incentives, prices acquire a greater importance as a stimulus factor and particularly as a means of blending the interests of the economic units with the general interests of the society.

In view of the increased role played by prices under the new economic mechanism as a means of evaluating economic efficiency and the final results of the activities of economic units, thorough price-setting criteria are required, on the basis of the socially necessary labor costs incorporated in consumer goods.

Basing prices on social production costs provides them with an objective foundation and is decisive for their utilization as an instrument of evaluation, record-keeping, and supervision, and as an incentive to producers. Arbitrary price-setting, removed from this natural economic basis and from real costs, or based on outdated prices that do not reflect the dynamics of production expenditures, can have profoundly negative consequences for the economy. Such prices do not correctly reflect production efficiency and can lead to misguided options in the development of the economy. Prices that do not permit production costs to be amortized and that require budget financing for the respective activities, do not encourage the units to seek solutions for increasing economic efficiency, restrict opportunities for implementing self-administration, and finally detract from the national income. That is precisely why our party took measures to readjust prices on the basis of economic principles, and to ensure that prices cover the strictly necessary



production costs and allow some profit to be made on each product, service, or general enterprise activities.

Along the line of improving the price system in our country, measures were taken in December 1980 and enacted on 1 January 1981 to update and improve the economic correlation between production costs, and contract and purchasing prices in agriculture.

The measures established take into account the imbalance created between production costs and contract and delivery prices. Thus, while in the 1971-80 period the prices of industrial products for agriculture--chemical fertilizer, fuel, etc.--were raised by about 7.2 billion lei, the production, contract, and purchase prices for agricultural products increased by only 4 billion lei. Similarly, during the same period, the remunerations of working people were substantially raised, thus increasing expenditures in the agricultural sector and consequently production costs. These phenomena led to reduced profitability: expenses were not completely covered and many socialist agricultural units recorded losses, a fact that generated difficulties in their activities and deprived the producers from incentives to increase agricultural production.

Following the measures taken in December 1980, production, contract, and purchasing prices were raised by an average of 12 percent; given the fulfillment of the planned production, this raise permitted a 9.6 million lei increase in the incomes of agricultural producers in 1981, more than double all price increases in the entire 1970-80 period. The basic price for wheat was raised from 1,000 lei per ton to 1,500 lei per ton in state agricultural enterprises, and from 1,370 lei to 1,500 lei per ton in agricultural production cooperatives; the price of corn was raised from 800 lei to 1,270 lei per ton in state agricultural enterprises, and from 1,150 lei to 1,270 lei per ton in agricultural production cooperatives, and so forth.

As for contract and purchasing prices for livestock, fowl, and cow and sheep milk in effect on 1 January 1982, they exceeded those in effect until 1 January 1981 by 8.8-35.9 percent.

#### Average Prices for Animal Staples

Item	Unit of measurement	Prices up to 1 Jan. 1981--average prices lei/unit	Prices since 1 Jan 1982--average prices lei/unit	% Increase
Cattle	kg. on the hoof	11.23	14.80	+31.8
Pigs	kg. on the hoof	10.91	14.50	+32.9
Sheep	kg. on the hoof	11.27	14.20	+26.0
Fowl	kg. on the hoof	12.87	14.00	+ 8.8
Cow milk	liter	2.06	2.80	+35.9
Sheep milk	liter	4.16	5.23	+25.7

On the same occasion, the prices practiced by state units were made equal to those practiced by cooperative units, while production, contract, and purchasing prices were set at the same level for all agricultural producers.

In accordance with the party program on building the comprehensively developed socialist society, and proceeding from the provisions of the plan for the development of agriculture and food industry and of the program on regional self-management and self-supply concerning consumer supplies of agricultural animal and vegetable products, our party and state have taken additional measures to provide incentives for agricultural producers, measures that were enacted as of 1 January 1982.<sup>12</sup>

According to these measures, aside from the basic prices of agricultural products, production bonuses will be granted to state and cooperative units and to private producers for the produce delivered to the state under contract. The bonuses will exceed the basic prices by about 30 percent and may even come to 60 percent for certain products.

As shown in the relevant table, larger bonuses are awarded for products such as sugar beet, corn, wheat, barley, field vegetables, sunflower, etc.

#### Bonuses for Vegetable Products Delivered to State Stocks

Item	Contract price lei/ton	Average bonus lei/ton	% Increase over contract price
Wheat, rye	1,500	300	20
Barley, two-row barley	1,300	300	23
Corn	1,270	530	42
Beans	6,200	1,000	16
Soybean	3,250	450	14
Sunflower	2,680	720	27
Oil flax	6,000	1,000	17
Fiber flax	1,900	500	26
Hemp	1,250	450	36
Sugar beet	345	205	59
Early potatoes	1,367	200	15
Fall potatoes	900	120	13
Field vegetables	1,360	440	32
Grapes	3,480	500	14
Rice	5,000	1,000	20
Medicinal plants	3,500	1,500	43
Tobacco	17,300	700	4
Castor oil plant	5,500	1,500	27
Fruit	4,800	600	6

The bonuses awarded to socialist agricultural units, members of agricultural production cooperatives, and individual producers who deliver grain, pulse crops, and industrial plants differ according to product and to the volume of products per hectare delivered to state stocks.

By awarding production bonuses for produce delivered to the state under contract, agricultural workers are encouraged to better utilize the productive potential of the land and to increase yields; at the same time, both the socialist agricultural units, and the small individual producers can thus fully cover their production costs and achieve additional net income.

The implementation of these measures implies certain obligations for both agricultural producers and for the consumers. Thus, both socialist agricultural units and agricultural producers who conclude produce delivery contracts are obligated to cultivate the entire land area established, to continuously increase outputs, and thus to deliver the entire volume of produce envisaged in the contract. At the same time, produce delivery and processing units are obligated to help the agricultural units achieve the production, beginning with crop selection for the various fields, seed procurement, fertilizer supply, timely and optimal performance of all operations envisaged under technological norms, and down to the delivery and safe storage of the products under contract.

#### Differential Bonuses for Wheat, Corn, and Sunflower

Item	State agr. units		Cooperatives, coop. members, other individual producers	
	Bonus, lei/ton	Seed and fodder deliveries to state stocks and mixed fodder plants, limits per hectare, in kg.	Bonus, lei/ton	Seed and fodder deliveries to state stocks and fodder plants, limits per hectare, in kg.
Wheat	Average 300		Average 300	
	275	2,500 - 3,000	150*	500 - 1,000*
	300	3,001 - 4,000	200	1,001 - 1,500
	350	4,001 - 6,000	250	1,501 - 2,000
	400	over 6,000	275	2,001 - 3,000
			300	3,001 - 4,000
			350	4,001 - 5,000
			400	over 5,000
Corn	Average 530		Average 530	
	300	3,500 - 4,000	250	1,000 - 1,500
	450	4,001 - 5,000	300	1,501 - 2,000
	550	5,001 - 6,000	350	2,001 - 3,000
	600	6,001 - 8,000	430	3,001 - 4,000
	650	over 8,000	530	4,001 - 5,000
			600	5,001 - 6,000
			650	over 6,000
Sunflower	Average 720		Average 720	
	630	1,500 - 2,000	500	1,000 - 1,500
	720	2,001 - 2,500	650	1,501 - 2,000
	800	over 2,500	720	2,001 - 2,500
			800	over 2,500

\*Only for the counties of Alba, Bacau, Bistrita-Nasaud, Brasov, Caras-Severin, Cluj, Covasna, Gorj, Harghita, Hunedoara, Maramures, Mures, Neamt, Satu Mare, Suceava, and Vilcea.

The bonuses are awarded in full only after the actual delivery of the produce in keeping with legal provisions.

Concerning animal production, the cooperative agricultural units, members of agricultural production cooperatives, and all agricultural producers, who deliver--under the contract and purchase system--livestock, fowls, milk, milk products, eggs, and other animal products, will be awarded advantageous prices in keeping with the quantity and quality of the products delivered, as well as loans and advance payments, certain products, or materials required to achieve the production under contract, and other advantages and incentives.

Aside from the production prices and contract and purchase prices, agricultural producers are awarded an increment of 0.50 lei per kg for livestock of over 400 kg weight on the hoof delivered during the period 1 December - 30 April; individual producers will be awarded a 400 lei bonus for each calf born and raised on their premises for at least 6 months and put under contract to the state or kept for stud or work; socialist agricultural units which achieve 85 percent of the natality indexes planned for the county are awarded a 400 lei bonus for each calf born and raised for at least 6 months; another 100 lei per calf are awarded when the county natality indexes are exceeded; both the socialist units and individual producers are awarded a 100 lei bonus for each calf born to a heifer.<sup>13</sup>

It is important to stress that a substantial part of the bonuses awarded for calves goes directly to those who raised them and to those who contributed to securing a high natality rate.

In order to encourage deliveries of animals and fowls under contract to state stocks, producers are allocated certain quantities of fodder concentrates at retail price, according to the species, category, and number of animals and fowl delivered.

The socialist agricultural units and individual producers who conclude contracts on and deliver cow, buffalo, sheep, and goat milk to the state, are awarded bonuses on top of the production or contract prices.

Bonuses are awarded for the entire quantity of milk and milk products delivered during the year

The bonuses are awarded in full only after the actual delivery of the produce in keeping with legal provisions.

Concerning animal production, the cooperative agricultural units, members of agricultural production cooperatives, and all agricultural producers, who deliver--under the contract and purchase system--livestock, fowls, milk, milk products, eggs, and other animal products, will be awarded advantageous prices in keeping with the quantity and quality of the products delivered, as well as loans and advance payments, certain products, or materials required to achieve the production under contract, and other advantages and incentives.

Aside from the production prices and contract and purchase prices, agricultural producers are awarded an increment of 0.50 lei per kg for livestock of over 400 kg weight on the hoof delivered during the period 1 December - 30 April; individual producers will be awarded a 400 lei bonus for each calf born and raised on their premises for at least 6 months and put under contract to the state or kept for stud or work; socialist agricultural units which achieve 85 percent of the natality indexes planned for the county are awarded a 400 lei bonus for each calf born and raised for at least 6 months; another 100 lei per calf are awarded when the county natality indexes are exceeded; both the socialist units and individual producers are awarded a 100 lei bonus for each calf born to a heifer.<sup>13</sup>

It is important to stress that a substantial part of the bonuses awarded for calves goes directly to those who raised them and to those who contributed to securing a high natality rate.

In order to encourage deliveries of animals and fowls under contract to state stocks, producers are allocated certain quantities of fodder concentrates at retail price, according to the species, category, and number of animals and fowl delivered.

The socialist agricultural units and individual producers who conclude contracts on and deliver cow, buffalo, sheep, and goat milk to the state, are awarded bonuses on top of the production or contract prices.

Bonuses are awarded for the entire quantity of milk and milk products delivered during the year, measured in equivalent milk quantities, calculated for each farm or complex belonging to a production unit, and with a fat contents of 3.5 percent for cow or buffalo milk, and 7 percent for sheep and goat milk. In order to increase individual milk production, members of agricultural production cooperatives and other individual producers who deliver cow or buffalo milk under contracts to state stocks are allocated certain quantities of fodder concentrates at retail price. Individual producers in mountainous and hilly areas who deliver up to 2,000 liters of sheep or goat milk under contract to state stocks are allocated 15 kg of concentrates for each 100 liters of milk delivered; those who deliver over 2,000 liters of milk to state stocks are allocated 16 kg for each 100 liters.

The implementation of agricultural price correlation and resetting and the implementation of the other incentives established for agricultural producers are designed to further consolidate the role of prices and other promotion

levers for fulfilling the party's agrarian policy, and to permit improvements in production activities in all the branches, sectors, and categories of agricultural work. At the same time, these measures have a positive effect on the implementation of the regional self-management and self-supply program, and contribute to better meeting the people's consumer requirements, developing raw material resources for the industry, and supplying other needs of the national economy.

The incentives established for agricultural producers ensure economically healthier exchanges of products between towns and villages, and contribute to the balanced development of the national economy, to strengthening the workers-peasants alliance, and to implementing the 12th party congress tasks concerning the successful building of the comprehensively developed socialist society in Romania.

Basing prices on social production expenditures is an essential condition for promoting profitable activities in all agricultural units, but not the only one. It must be accompanied by consistent efforts to reduce production costs. As the party secretary general, Comrade Nicolae Ceausescu, stated already 15 years ago, "In the final analysis, the decisive factor concerning the price situation in our economy is to continuously reduce production costs and material and manpower consumption, and to increase labor productivity, which should all result in lower cost prices--the fundamental element on which the efficiency of our entire economy depends."<sup>14</sup> Reducing production expenditures in general, and material expenditures in particular, constitutes one of the essential objectives of the 12th RCP Congress and of the national conference for effecting the transition from extensive to intensive development--the major characteristic of the development of our national economy at the current stage. Reducing production expenditures is a particularly urgent requirement in agriculture, in both state and cooperative units. Along this line, it is of a primary importance to intensify the utilization of the production capacities of the agricultural units. Great attention must also be paid to reducing the consumption of fuel, lubricants, and energy (from non-recoverable source) in general. Lowering fuel and energy consumption must become one of the basic criteria for technical progress, for establishing production technologies, and for the entire production process.

The matter of fodder has a special importance within the consumption of raw and other materials in agriculture, in view of the fact that livestock feeding makes up over 50 percent of all material expenditures in agriculture. Therefore, to raise economic efficiency it is essential to cut down on these expenditures. Lowering fodder expenses can only be permitted by the implementation of a whole range of measures concerning, on the one hand, the optimal utilization of the potential of natural pasture fields, increased average fodder yields per hectare, timely harvesting without losses, and optimally drying and storing fodder crops to preserve their nutritional value, and on the other hand, rationally utilizing fodder, on the basis of scientifically determined rations, and eliminating any form of waste, all this combined with a better animal selection, with the creation of new breeds, and so forth.

The level of material expenditures is indissolubly linked to the cost of the means of production. Since the industry is increasingly contributing to the

development of agriculture through the means of production that it supplies, the level and efficiency of agricultural production increasingly depend not merely on agricultural work, but also on industrial results. Thus, in order to achieve high production and efficiency indexes, both branches must improve. However, it is not only the industrial products that raise the price of agricultural produce, but those produced within the agriculture itself, too. That is due to the fact that seed, fruit and grape seedlings, young livestock, and fodder are produced at a high cost.

All these considerations lead to the conclusion that the reduction of production expenditures in agriculture must begin with improving the quality of both industrial and agricultural means of production and lowering their cost, and must continue throughout the phases of agricultural production through the utilization of modern technologies, the scientific organization of production and labor, through raising the professional skills of the labor force, etc., up to the final product and its delivery to the consumers. Lowering production expenditures is an essential condition for price stability. In the conditions of a dynamic economy strongly integrated in the international economic flow, price stability should not be interpreted as rigidity or as "freezing" prices once and for all. Our party views price stability as a closely supervised price evolution maintained strictly within plan limits. Along this line, stabilizing the general level of prices and maintaining the prices of major staples unchanged for longer periods of time do not exclude modifications in the price of certain products, whenever sizable changes occur in their production and marketing conditions in the domestic or international market. What is important is that such modifications should be well founded on economic realities, and, in the case of retail prices, that they should be correlated with the tasks devoted to raising the people's living standard.

#### 18.4 Self-Financing -- An Essential Element in the Economic Self-Administration of Agricultural Units

The particular requirements of the current stage of development of our socialist economy and the urgent need to achieve a high quality in all socioeconomic activities demand the utilization of the resources of the national economy with maximum efficiency, more marked improvements in economic efficiency, and the implementation of stringent savings measures in all the areas.

These highly important requirements are met by the measures adopted by the RCP Central Committee plenum of March 1978 with a view to introducing the new economic-financial mechanism. Through its own activities, each economic unit must achieve the highest possible productivity and profitability, so as to secure the means of further development and of providing incentives for the working people, repay society for the funds received, and more markedly contribute to satisfying the general needs of the society.

The range of measures adopted by our party and the regulations enacted to implement the new mechanism are aimed at facilitating the implementation of these provisions in all the economic units.

Economic self-financing and ensuring the functionality of this system as an economic lever for enhancing the responsibility of the units for fulfilling the plan indexes with minimum expenses, and for mobilizing and efficiently utilizing their entire material and human potential, are of a primary importance as one of the cornerstones of the new economic-financial mechanism. Self-financing acts as one of the specific means of achieving socialist accumulation, creating socioeconomic development funds at microeconomic level, and securing a volume of funds in keeping with the real needs of the units and with their own results. It also constitutes one of the factors of harmonization of the system of interests prevailing in our socialist society, designed to blend the general interests of the society with those of individual economic units and their working personnel.

One of the most important improvements made in the economic-financial mechanism is the introduction of profits as the index of evaluation of the work of agricultural units. As the major source of funds for the individual units, profits are designed as an incentive for the quantity and quality of production, for better utilizing material resources, and for reducing production expenses, especially material expenses. Profits are not just the major index of economic efficiency, they also constitute a material source for increased material incentives for the working people.

As profits we designate the part of the assets newly created in economic units left after the deduction of certain elements that go into making up the new assets. These elements are: the pay of the working personnel and payment of other rights; research and technological expenses; the tax levied on the entire remuneration fund; contributions to social security, and other labor expenditures.

The following are also deducted from the net production of agricultural production cooperatives: land tax and taxes levied on revenue from industrial activities, and insurances premiums.

Financial results are normally derived from the produce delivered to state stocks or marketed directly to consumers, according to the law. They represent the difference between the value of the production sold, calculated at production cost, and the costs of the respective production. In the agricultural sector, financial results also include savings or excess expenditures on the produce stocks retained by the unit.

Certain expenses, envisaged by the law but not included in production costs, are also deducted from financial results, and what is left is the profit of the unit.

Agricultural production cooperatives also practice certain remunerations in kind, such as pay in kind for the work of agricultural machinery stations and for cooperative members' work on the major crops. In view of this fact, in the agricultural cooperative sector, the volume of expenses and the volume of incomes are calculated for the entire production obtained, regardless of whether it is sold or not, and the difference between those two volumes constitutes the financial results. Legally envisaged expenses that are not included in costs are also deducted from the financial results, and the remainder is the profit of the agricultural production cooperative.



Profits play a far more important role under the new economic-financial mechanism. Aside from their function as means of evaluating economic activities and of overseeing the management of material and cash resources, they now constitute the only source of socioeconomic development of each unit and of material incentives for the working people and for cooperative members.

In view of that fact, the distribution of profits among the factors envisaged under the law should not be viewed as an administrative measure, but as a lever for implementing economic-financial self-administration and workers self-management. In these conditions, the "profit" index becomes the basic factor for guiding decisions both at the stage of establishment of the production plan, and throughout the year. The utilization of the land, increases in the number of livestock, and planning the production, production expenses, and its marketing must all combine to produce profits out of which the units can cover their development needs and social-cultural expenses, and provide incentives for the working people or cooperative members; in other words, profits are the basis for self-financing for each economic unit, which is one of the major requirements of the new economic-financial mechanism.

According to the law, as the sole source of socioeconomic development in agriculture, profits are used to:

--Increase the fixed assets required for developing the activities of state agricultural enterprises and agricultural machinery stations, by repaying the funds loaned by society for the purpose of building green houses, livestock and fowl facilities, and slaughter houses, purchasing livestock, carrying out land amelioration, planting hop crops, acquiring tractors and agricultural machines, which had been originally financed from the budget. A quota of up to 10 percent is deducted for this purpose out of the overall profits.

--Establish a development fund for increasing fixed funds other than the above major ones, such as: planting fruit trees and vineyards, modernizing the existing fixed funds, particularly livestock facilities, and so forth.

The development fund is established at the level of the investment volume allocated to the unit under the single national plan of socioeconomic development. The major source for this fund are the planned profits achieved, and a 20 percent quota out of profits obtained in excess of the plan.

--Establish a fund of circulating capital. In order to carry out the production process in agriculture and to have mechanized labor performed by agricultural machinery stations, the units need seed, fertilizer, fodder, fuel, lubricants, and other agricultural and industrial products, for which they are expected to pay out of their own funds, allocated funds, or bank credits. In order to increase their own funds, economic units can each year set aside, out of the planned profits, the sums needed to cover up to 60 percent of the value increase recorded from one year to the other of the required operating capital.

-- To set up a fund for housing and other social projects, within the limits of investments allocated for such purposes under the single national plan. A 5 percent quota is allocated for this fund out of profits obtained in excess of the plan, regardless of whether the unit has housing investment plans for the respective year.

--To set up a fund for social projects. The agricultural units have canteens, workers' hostels, nurseries and kindergartens, medical and sanitary facilities, and so forth for their personnel. Similarly, workers are sent to treatment or spas. In accordance with the law, such expenses are financed out of the contributions of the working personnel and the fund for social actions established out of the unit's profits. Five percent of the fund through which the working people participate in the achievement of the production, profits, and profit-sharing, is also added to the social fund.

--In accordance with the decisions of the RCP national conference of December 1982, in order to promote the fulfillment and overfulfillment of the planned production, improve product quality, increase exports, and reduce production costs by raising labor productivity and reducing to a minimum the cost of raw and other materials, and particularly, the cost of fuel, essential improvements have been effected in remuneration under the overall contract system.

The overall contract system has been implemented in all the units; the system is based on a contract concluded by the unit with the participants in the overall contract system: production personnel, directly productive personnel, and technical-administrative and management personnel.

Similarly, measures have been taken to increase the variable elements within the overall incomes of the working personnel; thus, special funds have been established as an incentive to reduce material consumption, exceed the production planned for export, and generally overfulfill the plan and efficiency indexes.

In these conditions, the role of profits as an incentive for the working people has increased. The fund of participation in the achievement of the production, profits, and profit-sharing will make up 4 percent of the entire remuneration fund in the economy, allocated to plan holders in relation to their own remuneration fund and with export production. This fund is set annually from planned profits within the limits set, at the same time as the state budget, and from profits obtained in excess of the plan by additionally reducing costs, overfulfilling the production plan, and producing more profitable product ranges.

Enterprises involved in exports are in a position to substantially increase their participation fund, in view of the fact that the profits obtained from exports are far higher due to the redistribution of profitability and profits within the unit, according to the destination of the production--export and domestic marketing.

The allocation of the profit-sharing fund has also been improved; the amounts awarded to each working person are correlated to his contribution to the ful-

fillment and overfulfillment of tasks. Up to 75 percent of the fund will be distributed according to remuneration, while 15 percent are used as an additional incentive for those who made a particularly great contribution to exceeding plan provisions. The remaining 10 percent are used for trips abroad (5 percent), and the rest as a source of financing social expenses.

- The last fund established—but only in state agricultural enterprises—is the insurance fund earmarked for covering losses caused by natural disasters, verified on the basis of the criteria envisaged in the relevant regulations.

The insurance fund is the first fund to be established out of profits, within the limits of a maximum 40 percent quota.

It should be noted that the state budget features profit payment only after the unit's own needs have been fully met. Out of the profits realized in excess of the plan, a 35 percent quota is paid out on an obligatory basis.

In situations in which the planned profits of state agricultural units and agricultural machinery stations do not suffice to cover all the above utilizations, they will be used in the order of priority dictated by the law.

In situations in which planned profits are not realized, priority is given to payments to the state budget and to repaying loans received from the society, followed by the order of priorities mentioned above for situations in which profits do not suffice to supply all funds.

The profits of agricultural production cooperatives are utilized primarily to finance the profit-sharing fund for the social share comprised of the cash deposits of the cooperative members, mechanics, and specialists into the cooperative's economic development fund. The remaining amounts are allocated by the agricultural production cooperatives as follows: at least 70 percent to the economic development fund, which is 18 percent of the net production; up to 5 percent to circulating capital; up to 1 percent to the fund for social-cultural and sports activities; up to 7 percent in grain to the reserve stocks of food products and fodder; up to 2 percent to the intercooperative fund of mutual assistance; up to 15 percent to the profit-sharing fund of the cooperative members and other working people.

As in the case of state units, quotas are established yearly at the same time as the state budget.

Agricultural production cooperatives utilize the profits realized in excess of the plan as follows: 25 percent for the economic development fund; 50 percent to supplement the profit-sharing fund of the cooperative members and other working people; 22 percent in grain, potatoes, and other products for reserve stocks of food and fodder; 3 percent for the fund for social-cultural and sports activities.

From the above it emerges that the development fund is set up for all the units in the cooperative sector, regardless of the investment volume envisaged in the respective plan year. Similarly, the fund of circulating capital is established even in the absence of any increase in the volume of circulating capital in the respective plan year.

Another specific trait is that all investment projects carried out in a cooperative are financed from the economic development fund, regardless of their nature; the same fund is used to finance purchases of livestock and fowl and the cooperatives' contribution to investments implemented by intercooperative economic associations or associations with state units.

#### 18.5 The Incomes and Expenditures Budget as an Efficient Tool of Economic Management

Within the framework of measures to improve the economic-financial mechanism, each socialist agricultural unit is obligated to work out a budget of revenues and expenditures, through which it plans the economic activities and financial results for the respective plan year. As of 1 January 1979, economic activities must not just ensure a balance between incomes and expenditures, but also show a profit, which is required for self-financing economic activities, for the fund through which the working people participate in the achievement of the production, profits, and profit-sharing, and for financing social activities in agricultural units, in accordance with the law. The state agricultural units will also use profits to repay credits from the society, and to yearly increase their contribution to the centralized funds required by the society.

The implementation of self-administration has been combined with improved financial planning. Like economic planning, financial planning begins at the lowest level of the echelon, in agricultural units, which have to take into consideration the guiding figures and norms issued by their superior bodies, and the productive potential of the unit, created by the technical-material resources entrusted to it by society. Financial planning is based on economic indexes; however, it has a positive effect on them in situations in which economic tasks do not ensure a measure of profits as a source for all the financial means necessary. Working out a budget of incomes and expenses constitutes an opportunity to examine the activities of the previous period and the fulfillment of the plan, and to ascertain what measures are need to preclude the recurrence of negative situations and to utilize all the means of increasing production and reducing expenditures.

In order to conduct efficient economic activities, the agricultural units must pay appropriate attention to basic issues, such as: judicious utilization of the land, appropriate crop structures and livestock planning, use of technologies adapted to the prevailing soil and weather conditions and to fodder resources, and observance of prescribed technologies throughout the year, in view of the need to economize as much as possible on fuel, energy, and labor, not, however, by failing to perform operations, but by improving management.

In view of its contents, the budget constitutes a tool for planning, analysis, and supervision of economic and financial activities and a lever wielded by the working people and collective leadership bodies. Managements use the budgets to maintain the planned balance between incomes and expenditures, for which purpose they can take additional measures whenever necessary, in order

to bolster responsibility for the utilization of funds and for the implementation of workers self-management.

The incomes and expenditures budget features all the expenses envisaged for a plan year, since money cannot be spent unless it has been planned and envisaged in the budget, regardless of whether the expense concerns production, investment, or social expenditures, or funds used as an incentive for the working people.

The budget requires that the balance planned be maintained throughout the year, and that measures be taken to cut back general expenses, to prevent waste, and particularly, to carry out activities that can generate additional income if those featured in the plan are not longer possible. Maintaining the planned balance between incomes and expenditures is a greatly responsible obligation for the executive bureaus of the working people's councils and for cooperative managerial councils.

The budget must be updated whenever necessary, because only thus can it serve as an efficient management tool. New financial indexes must be adopted whenever the indexes of the economic plan are modified. This occurs every 3 months for circulating capital, at the time of issue of credit plans, when its total volume is approved in keeping with prevailing conditions, crops sowed and stage of germination, technological operations, number and species of livestock, etc.

The budget indexes are distributed according to farms, factories, repair shops, and machinery sections so that each production link should be aware of both its scope of expenditures, and, insofar as possible, incomes. Teams and work sections should be familiar with the production expected from them, as well as with its volume of direct expenses. Mechanics, livestock raisers, and any person involved in the production process must know what they are expected to produce and at what cost. Even teams in charge of supplying production materials must be aware of planned stocks, supply expenses, and the quality and price of their supply stocks.

The incomes and expenditures budget must be checked during the implementation of the plan, through an informational system, so that the stage of achievement of the production, expenses, and revenues can be periodically verified.

The incomes and expenditures budget is not a document pertaining to the financial service or chief accountant, but to the bodies of collective leadership.

The councils of working people in state units, managerial councils in agricultural cooperatives, or executive bureaus must periodically examine, every 10 days or 1 month, the manner in which expenses are carried out and revenues obtained. In agriculture, special attention must be paid to ensuring that work is done according to the prescribed technologies; failure to do so and expenditures not carried out often result in production shortfalls, so that, in the last analysis, "savings" turn into higher costs per product unit.

The budgets of state agricultural enterprises and agricultural machinery stations separately feature: the revenues, expenses, and results of the enterprise;

the enterprise's own funds, and credits and their destination; payments to the budget; repayment of investment loans received from society, according to the law, and other indexes that serve to evaluate the economic-financial situation of the unit.

The chapter on the enterprise's own funds and credits and their destination specifies: the enterprise's own funds used to finance investments within the framework of the economic development fund; bank credits required to supplement financing sources, and the investment funds that are to be received from the budget for the purpose of financing major development projects. This chapter also features planning concerning the funds needed as circulating capital, as resources for the social activities that are, according to the law, left at the discretion of the unit, and as financing for scientific research, technological development, and introduction of technical progress envisaged at the level of the units or of the superperiod bodies.

The same chapter also features the establishment, out of planned profits, of the fund for the participation of the working people in the achievement of the production, profits, and profit-sharing.

The incomes and expenditures budget of agricultural production cooperatives reflects the particular characteristics of group ownership; these units finance their economic and social activities out of their own funds, supplemented by bank credits granted according to the law solely for circulating capital and investments.

At state agricultural units, chapter I--"The incomes, expenditures, and results of the enterprise"--features, under "resources" the specific steps taken by state agricultural units to collect the amounts due and to secure revenues from production or services, namely:

State agricultural units envisage "overall amounts due for sale of produce," divided among the vegetable, livestock, and industrial sectors; "amounts due for export deliveries," "amounts due for market sales of agricultural and food products," and "amounts due for building-assembly work performed under state supervision."

State agricultural enterprises which, as of 1981, sell products for export, will record separately the expenses and revenues concerning such sales; in addition, under "revenues" they can show "unfavorable export price differences" if the exchange rate established for the U.S. dollar or for the ruble exceeds a certain limit, and under "expenses," "favorable export differences," when the exchange rate is below the established rate.

The above differences are covered from the special fund set up at the level of the national economy for this purpose. Note that unfavorable differences indicate that the cost of production is higher than international sale prices, and hence, that measures are required to lower costs per product unit.

The "expenses" column in chapter I features the expenses involved in realizing the amounts due envisaged under "resources."

This column also shows the expenses incurred under financial results, established on the basis of legal regulations.

According to the principles of the new mechanism, it is absolutely necessary that the total amounts due under "resources" should exceed the total expenses. The difference between these two entries constitutes the profit of the unit.

Planned profits, which are the difference between overall amounts cashed in and overall expenses, are entered on the appropriate line under "expenses" and distributed among the funds envisaged in the law on profits, and in the budget ledger.

In view of the fact that the agricultural production cooperatives also conduct business in kind, the budget chapter on "incomes, expenses, and results" will show both incomes and expenses for all activities, including transactions in kind in terms of cash value, and cash incomes and expenses realized during the year.

Expenditures are set according to their nature: material and labor expenses, as well as certain elements of net production, such as land tax, taxes on incomes derived from industrial activities, and insurance premiums.

Revenues and expenses are set for the entire production achieved in the course of the plan year, including the production delivered as payment in kind or distributed among the cooperative members as remuneration.

The difference between total incomes and total expenses constitutes the profit of the agricultural production cooperative.

Chapter II of the incomes and expenditures budget of state agricultural units and agricultural machinery stations envisages resources for the various funds and the nature of expenses supported by the respective funds.

The budget of state units also features: chapter III, on the major economic indexes that are to be implemented during the plan year; chapter IV--"payments to the budget," and chapter V--"repayment of cash funds received from society."

The figures shown in these chapters permit evaluations of the economic efficiency and the contribution of the unit to state centralized stocks.

--The establishment of circulating capital and its sources: circulating capital affects the stocks of raw and other materials, fodder, chemical fertilizer, spare parts and subassemblies, spare engines, etc., that must be available at the end of the plan year to ensure production continuity in the following year, vegetable production shortfalls, young livestock of all breeds and categories, and the animal and fowl prescribed as basic livestock, with the exception of cattle and sheep belonging to state agricultural enterprises, which count as fixed assets. Circulating capital calculations must also take into account industrial activities and services, and in the case of agricultural machinery stations, the stocks of fuel, spare parts, and repair material required for agricultural production cooperatives which are supplied through agricultural machinery stations.

State agricultural units secure circulating capital from the following sources: funds received from the budget upon their establishment or from profits made in previous years; stable liabilities and other secured resources; profits for the plan year, within 60 percent of the increases in circulating capital compared to the previous year; prepayments for production under contract, and bank credits.

No methodology is established for calculating circulating capital in agricultural production cooperatives. Circulating capital may be determined as in the case of state agricultural units, except for the fact that all basic livestock is financed out of investment funds.

Similarly, in these units, the necessary circulating capital is made up of the funds allocated in previous years for this purpose, prepayments from contract partners, planned profits in proportion of up to 5 percent of stable liabilities and secured resources, and bank credits secured according to the law.

Upon working out their incomes and expenditure budget, the units decide the total volume of circulating capital necessary to the end of the plan year, and calculate increases in circulating capital compared to the previous year. Great care is to be taken to ensure that circulating capital calculations are based on the lowest possible unit stockpiles, on the utilization of stockpiles that the unit does not immediately require, and on other measures that can speed up the rotation of circulating capital.

Every quarter, at the time of establishment of the credit plan, each economic unit sets down the necessary circulating capital, on the basis of plan tasks, crops and areas actually sown, the stage of germination of the seeds, and existing livestock. On the same occasion, the unit establishes its own resources for financing circulating capital, including prepayments on the production under contract, secured resources, and credits that it will receive in the respective quarter.

The agricultural machinery stations receive credits for planned supplies and other expenditures required to fulfill the plan.

Credits are granted at the request of the units, on the basis of the credit contract concluded at the beginning of the plan year, and on condition that they be used for the purposes given in the contract, that repayment on schedule is guaranteed, and that the respective needs cannot be financed from the unit's own funds or secured resources.

The bank periodically verifies repayment guarantees and takes measures to recover non-guaranteed credits or those sunk into stockpiles that cannot be utilized in production.

Contract prepayments are established by the contracting economic units in agreement with the state and cooperative agricultural units and the financing bank, within a limit of 60 percent of the value of the products under contract and on the basis of verified existence of the material basis necessary to ful-



fill contract obligations. Prepayments are interest-free and are paid out in stages in keeping with production stages. When production is guaranteed, prepayment may be made during the year and may exceed the above percentage.

Contract partners may grant prepayments before the finalization of the annual delivery contracts, but only in order to cover expenses that affect the following year and only within the limit of consumptions envisaged under prescribed technologies.

In the case of livestock whose production cycle exceeds 1 year, cultivation of fodder crops, or stockpiles necessary for production, the banks may grant interest-bearing loans to state and cooperative agricultural units, on the condition that the norms governing production loans and their repayment are observed.

Both prepayments and bank credits are awarded during the year only in the presence of guarantees that the production will be achieved; such guarantees must be ascertained by the contract partner or by the bank. Where the achievement of the production is uncertain, the contract partner recovers his prepayment by deducting the respective amount out of the value of the production delivered. When the prepayment cannot be recovered from the value of the production under contract, other products may be delivered in exchange. Possible prepayments not recovered by the end of the year are turned into credits bearing penalty interest as stipulated for overdue loans.

Contracting enterprises are obligated to notify the bank on all the deficiencies noted during controls and to request that prepayments be stopped if the producing unit does not take remedial measures. They are equally obligated to effectively help the agricultural units harvest the crops on schedule and deliver them to the state centralized stocks. In order to involve the contracting enterprises in the production process, they are subjected to financial penalties if they fail to fulfill their obligations; thus, for example, the bank may seize part of the credits granted to agricultural units, for which no guarantees were secured.

The financing system established is designed to enhance not just the responsibility of the management of the agricultural unit, but also of the technical staff whose duty it is to implement technologies, and who are responsible for the achievement of the production; thus, they are cosignatories of the credit contracts together with the persons who engage the agricultural unit in the contract.

The party leadership requests agricultural units to act so that, by utilizing the productive potential of the land and judiciously managing the material assets and cash entrusted to them by society, they can ensure the fulfillment of plan tasks with minimum credits. Thus, it has been decided that units will be granted contract prepayments in keeping with the volume of the production under contract, and that such advance payments will be turned into credits only if the agricultural units do not make even the deliveries required to cover the prepayments--a situation that will seldom occur in an unit that implements the principles of workers' self-management and economic-financial self-administration.

The agricultural production financing and crediting system is aimed at more intensively involving hierarchically superior bodies (the joint agroindustrial council, the county agricultural directorate, general and department economic directorates, and the ministry). In the case of protracted or recurring difficulties or failings in the activities of agricultural units, the above bodies will examine the situation and implement the measures envisaged in the financial law.

The measures taken by banks concern the management of material and cash resources and the managerial capabilities of the executive bureau and the leadership council; financial penalties are applied according to the recurrence of negative phenomena and with chances of restoring solvency; banks can even go as far as to appoint a board of economic-financial supervision, and, in the case of state units, they can reorganize their entire scope of activity.

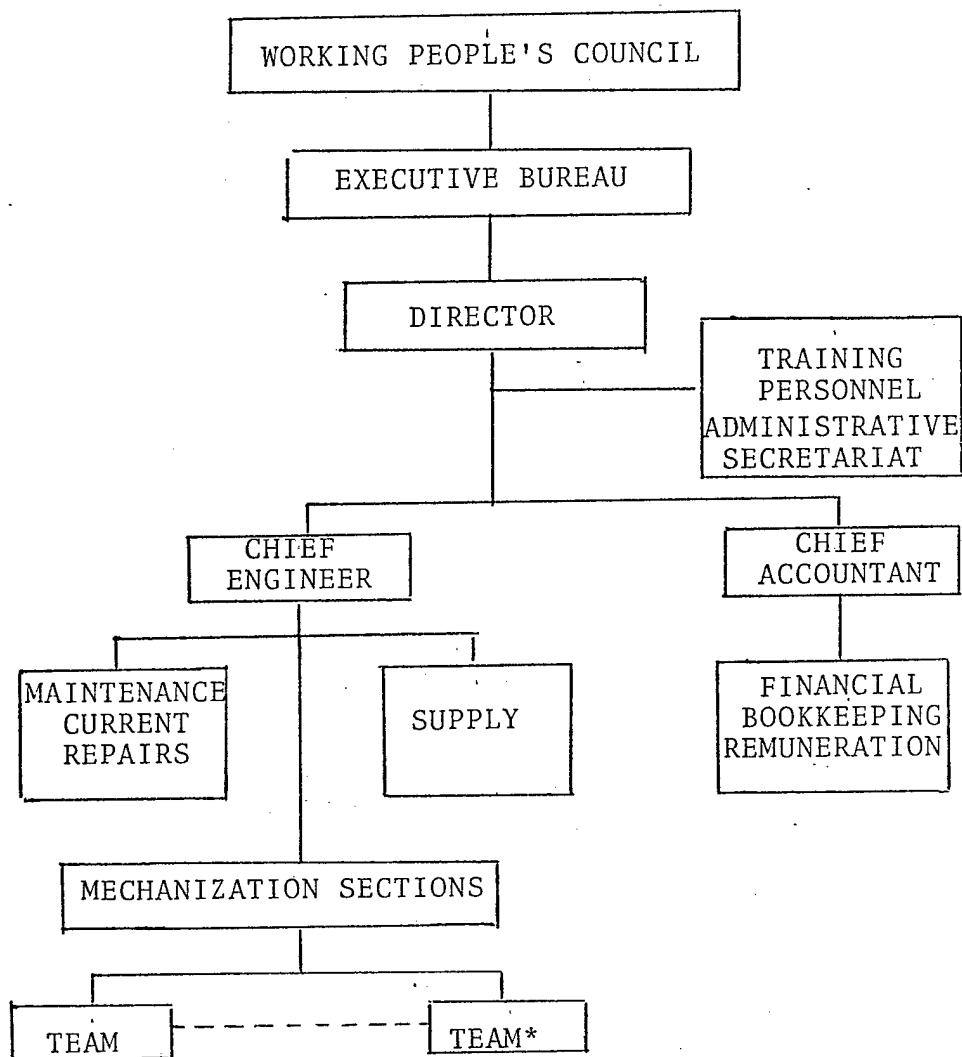
#### FOOTNOTES

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2. "The RCP Program on Building the Comprehensively Developed Socialist Society and Romania's Advance to Communism," Political Publishing House, Bucharest, 1975, p. 75.
3. Nicolae Ceausescu, "Romania Along the Path of Building the Comprehensively Developed Socialist Society," vol. 19, Political Publishing House, Bucharest, 1980, p. 205.
4. Ibid., vol. 21, 1981, p. 447.
5. Nicolae Ceausescu, "Romania Along the Path of Completing the Socialist Construction," vol. 1, Political Publishing House, Bucharest, 1968, p. 40.
6. Nicolae Ceausescu, "Romania Along the Path of Building the Comprehensively Developed Socialist Society," op. cit., vol. 22, 1982, p. 351.
7. Actual expenses include: fuel and lubricants, spare parts and materials, repairs, amortization, relevant supply expenses, and joint and general expense quotas of the agricultural machinery station.
8. Nicolae Ceausescu, "Romania Along the Path of Building..." op. cit., vol. 19, 1980, p. 205.
9. Ibid., vol. 15, 1978, p. 594.
10. Ibid., p. 591.
11. Ibid., pp. 591-592.

12. "Decision of the Political Executive Committee of the RCP Central Committee on New Incentives for Agricultural Producers Who Deliver Grain, Industrial Crops, Potatoes, Vegetables, Fruit, and Grapes to State Stocks of Fodder and Seeds," BULETINUL OFICIAL No 106, 16 December 1981; "State Council Decree No 394 on Contracts for Vegetable Agricultural Produce," BULETINUL OFICIAL No 110-111, 26 December 1981; "State Council Decree No 395 on Contracts on and Purchases of Livestock, Fowl, and Animal Produce," BULETINUL OFICIAL No 110-111, 26 December 1981.

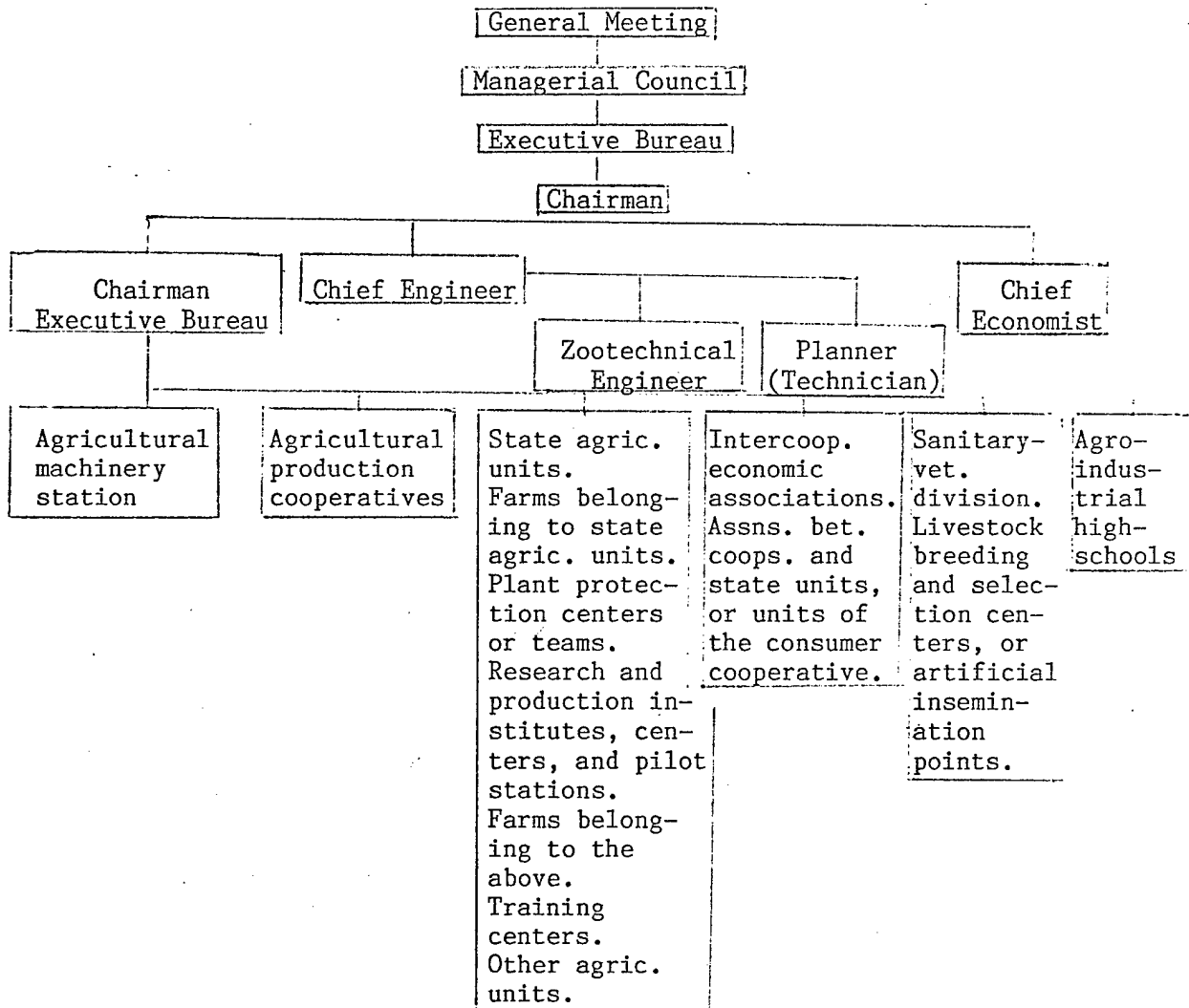
13. "State Council Decree Amending State Council Decree No 395/1981 on Contracts on and Purchases of Livestock, Fowl, and Animal Produce," SCINTEIA No 12,626, 29 March 1983.

ORGANIZATIONAL STRUCTURE OF  
AGRICULTURAL MACHINERY STATIONS

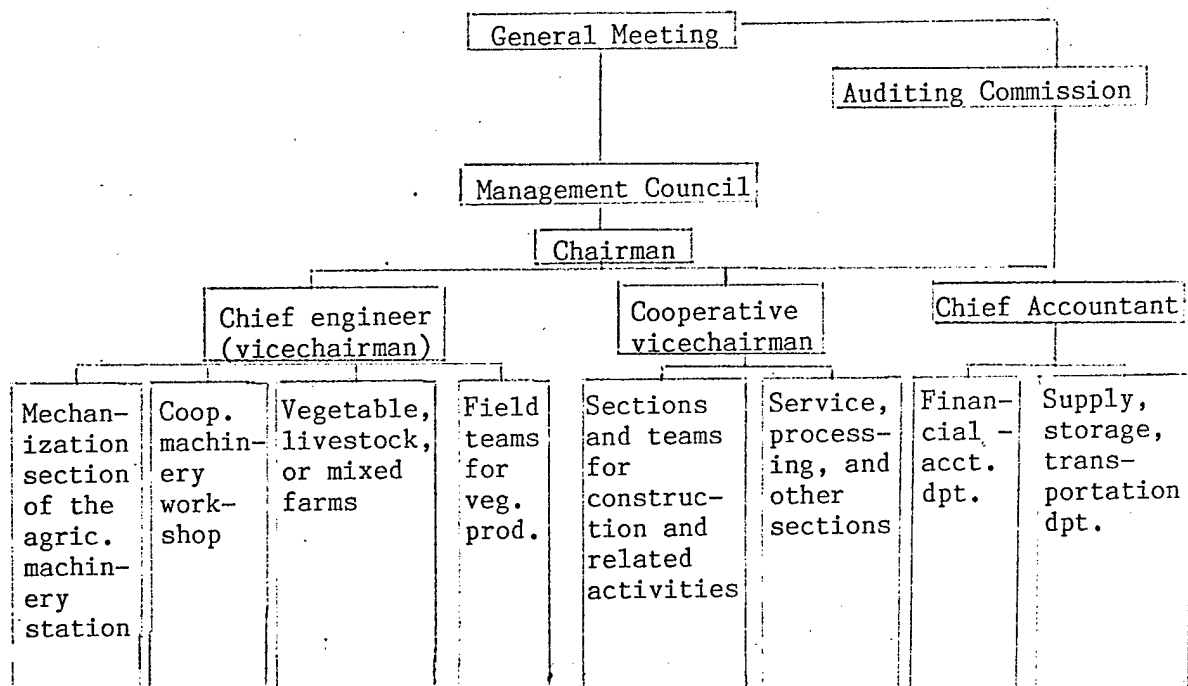


\*ONE TEAM IS COMPRISED OF AT LEAST 10 TRACTORS

ORGANIZATIONAL STRUCTURE  
OF THE JOINT STATE AND COOPERATIVE AGROINDUSTRIAL COUNCIL



# ORGANIZATIONAL STRUCTURE OF AGRICULTURAL PRODUCTION COOPERATIVES



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